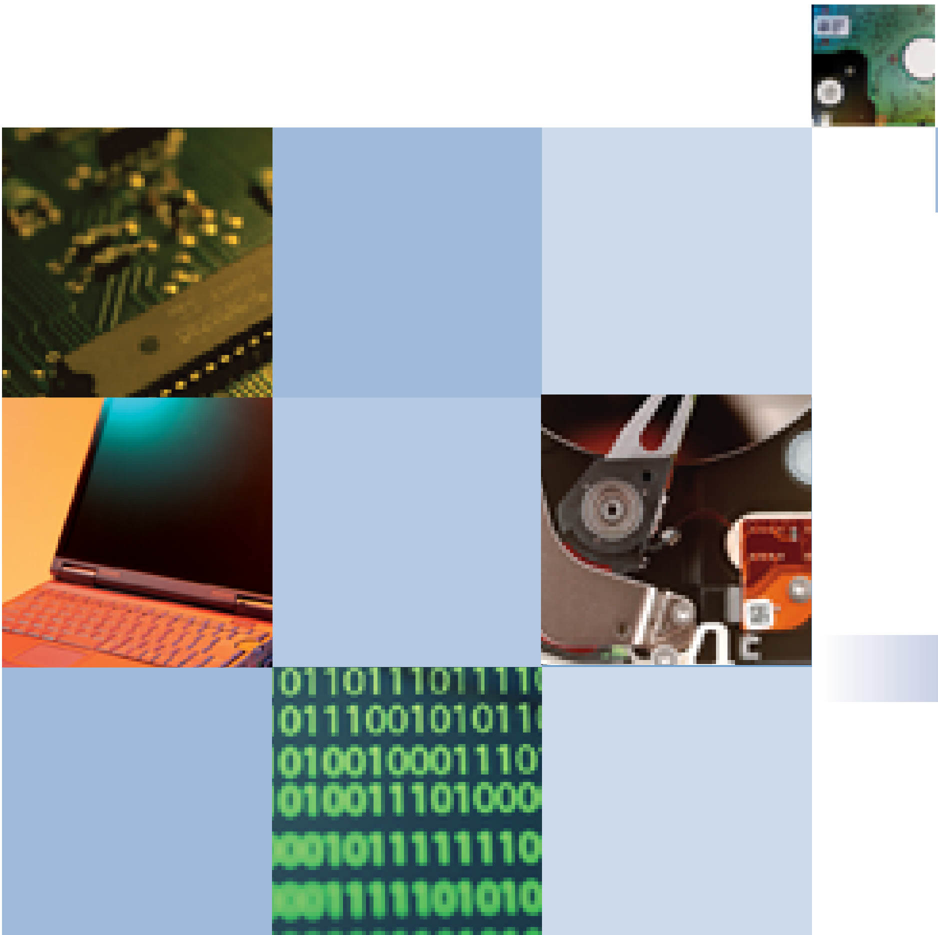
乾坤燭® PROSTICKS®

ProSticks International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



2005 ANNUAL REPORT

(Stock code : 8055)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

CORPORATE INFORMATION

Board of Directors	**Executive Directors** Mr. Li Ching Ping Vincent Mr. Fung Yan Shun **Independent Non-executive Directors** Mr. Lee Kar Wai Mr. Ng Ge Bun Mr. Wan Yiu Kwan Stephen
Company secretary and qualified accountant	Mr. Yuen Sun Chak *CFA, CPA, FCCA*
Authorized representatives	Mr. Li Ching Ping Vincent Mr. Fung Yan Shun
Compliance officer	Mr. Li Ching Ping Vincent
Audit committee	Mr. Lee Kar Wai Mr. Ng Ge Bun Mr. Wan Yiu Kwan Stephen
Remuneration committee	Mr. Li Ching Ping Vincent Mr. Fung Yan Shun Mr. Lee Kar Wai Mr. Ng Ge Bun Mr. Wan Yiu Kwan Stephen
Registered office	Century Yard, Cricket Square Hutchins Drive P.O.Box 2681 GT George Town Grand Cayman British West Indies
Head office and principal place of business	15th Floor, Asia Financial Centre 120 Des Voeux Road Central Hong Kong

Principal bankers	Wing Hang Bank Limited 161 Queen's Road Central Hong Kong Fubon Bank (Hong Kong) Limited 38 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street Grand Cayman Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tengis Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	Lak & Associates C.P.A. Limited 3/F., Chinachem Tower 34-37 Connaught Road Central Hong Kong
Legal advisers	*As to the Cayman Islands Law:* Conyers Dill & Pearman, Cayman Century Yard, Cricket Square Hutchins Drive P.O.Box 2681 GT George Town, Grand Cayman British West Indies *As to Hong Kong Law:* Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Central, Hong Kong
Stock Code	8055
Company homepage / website	http://www.prosticks.com.hk

Benefited from the recovery of the economy, the Group had great improvement in its performance in 2005. The Group recorded a growth of 36.2% in revenue and the loss of the Group reduced substantially by 58.1% to HK$4,056,000. The improvement was mainly attributable to the success in business segment of operational software application products, which had contributed a segment revenue and profit of HK$9,974,000 and HK$5,144,000 respectively.

In 2005, the Group attained several new contracts on system implementation and enhancements. These contracts include both existing and new customers from the local and overseas markets. Some contracts were completed in 2005 while others are in progress, which shall contribute additional revenue to the Group in the coming year. Moreover, it is expected that the Group's revenue from maintenance service shall also increase in 2006 as the warranty period of many newly completed contracts shall expire in 2006 and subject to maintenance charges. The Group is also in negotiation with its existing customers for licensing of new systems and/or enhancements. Therefore, we are optimistic about the development of the business segment of operational software application products in the year ahead.

On the other hand, the business segment of financial instruments analysis software products continued to record substantial loss in 2005. In view of the unsatisfactory performance in the North American market, the Group closed down its office in Canada and diverted its attention to the PRC market in 2005. The Group appointed a distributor and organized several promotional events in the PRC during the year. However, only limited amount of revenue was generated albeit positive comments and recognitions of merit on the Group's products were received from the potential customers. As basic technical analysis knowledge is a pre-requisite for the effective use of our products, it is expected that more educational and marketing effort are required to increase the penetration of our products in the PRC market.

In light of the substantial loss in the business segment of financial instruments analysis software products in consecutive years and the limitation of resources of the Group, we are carefully reviewing the business potential of this segment. We may consider realizing this business segment, if appropriate, and exploring opportunities for new business development and strategic partnership.

Given the constraint on capital resources of the Group, the board of Directors is also considering alternatives for equity fund raising so as to strengthen the capital and shareholder base of the Company.

Finally, I would like to take this opportunity to express my sincere gratitude to the members of the board of Directors, staff of the Group and the loyal customers for their utmost support and contribution to the Group.

Li Ching Ping Vincent
Chairman

Hong Kong, 24 March 2006

FINANCIAL REVIEW

Financial Results

For the year ended 31 December 2005, the Group recorded a total turnover of approximately HK$11,656,000 (2004: HK$8,556,000), which represents a growth of approximately 36.2% over the previous year. When compared with the results in 2004, revenue from financial instruments analysis software products had increased slightly by 5.5% to approximately HK$1,682,000 while the revenue from operational software application products had increased substantially by approximately 43.3% to HK$9,974,000. The proportion of revenue contribution from the two segments of financial instruments analysis software products and operational software application products changed slightly from 18.6% and 81.4% to 14.4% and 85.6% respectively.

As a result of the implementation of cost control measures, the cost of sales, particularly the data subscription and internet costs, dropped significantly in 2005 and the gross profit margin of the Group increased by more than 26.5% from approximately 61.2% in 2004 to 77.4% in 2005.

In 2005, the Group had devoted many resources to developing the PRC market for financial instruments analysis software products. Therefore, the travelling expenses and advertising and promotion expenses increased by more than 116.3%. There was also an increase of approximately 40.0% in accounting and audit fees in 2005. On the other hand, the Group recorded savings in product design and development fee and staff costs of approximately 57.3% and 14.9% respectively. In a nutshell, the total administrative expenses decreased by approximately 14.9% in 2005.

For the year ended 31 December 2005, the finance costs increased substantially by approximately 90.4% from HK$376,000 to HK$716,000 because the Company issued an additional convertible bond of HK$2.0 million in August 2005. The significant increase in Hong Kong prime rate during the year also had an adverse impact on the Group as the interest rates of most of the Group's borrowings are floating with reference to the Hong Kong prime rate.

The net loss for the year amounted to approximately HK$4,056,000 (2004 (restated): HK$9,673,000), representing a substantial reduction of approximately 58.1% when compared with that of 2004.

Capital Structure, liquidity and financial resources

The Group financed its business operations mainly with cash revenue generated from operating activities and borrowings. As at 31 December 2005, the principal of the total borrowings of the Group amounted to approximately HK$10,000,000, which comprised an unsecured loan of HK$3,000,000 and three convertible bonds in an aggregate principal amount of HK$7,000,000. All borrowings of the Group are denominated in Hong Kong dollars. The outstanding principal as at 31 December 2005, interest rate and maturity date of the Group's borrowings are set out as follows:

Instrument	Outstanding Principal as at 31 December 2005	Interest Rate	Maturity Date
Unsecured loan	HK$3,000,000	6% per annum	1 April 2007
Convertible bonds	HK$5,000,000	Hong Kong prime rate less 0.5% per annum	1 September 2006
Convertible bond	HK$2,000,000	Hong Kong prime rate per annum	21 February 2007

As at 31 December 2005, the Group had current assets of approximately HK$3,174,000, including cash and cash equivalents of approximately HK$1,319,000. The Group keeps most of its cash in Hong Kong dollar and places them as short-term deposits in banks for interests. The gearing ratio, as expressed as the ratio of total borrowings to total assets, of the Group was approximately 2.7 as at 31 December 2005.

As at 31 December 2005, the issued share capital of the Company was HK$6,517,000 divided into 651,700,000 ordinary shares of HK$0.01 each. There were no movements in the share capital of the Company during the year.

Foreign exchange exposure

Most of the sales and expenditures of the Group are denominated in Hong Kong dollar and United States dollar while some transactions are denominated in Renminbi, Canadian dollar and Great Britain pound. As Hong Kong dollar is closely linked with United States dollar and the exchange rates of other currencies used by the Group are relatively stable, the management considers that the Group has no significant foreign exchange exposures. The Group has no foreign currency borrowings and has not used any financial instrument for hedging purposes.

Contingent Liabilities and charges on the Group's assets

Save as disclosed in note 31 to the financial statements, there were no material contingent liabilities or charges on the Group's assets as at 31 December 2005.

OPERATIONAL REVIEW

Financial instruments analysis software products

The business in Hong Kong and the North American markets showed stagnant growth in 2005. Therefore, the Group tried to diversify to other markets and devoted more resources to developing the PRC market. Several promotional events have been organized in the PRC during the year. Nevertheless, the Group's performance in the PRC market was below the expectation of the Directors and the segment loss for the year further increased by approximately 22.0% from approximately HK$2,444,000 to HK$2,981,000.

Operational software application products

Resulted from the licensing of new products and system enhancement, revenue from operational software application products surged substantially by approximately 43.3% from HK$6,961,000 to approximately HK$9,974,000. This segment also recorded a segment profit of approximately HK$5,144,000, representing a growth of approximately 293.0% when compared with the results of 2004.

During the year under review, the Group signed seven new licensing and/or system enhancement contracts with its customers. Some contracts were completed during the year while others are in progress. The research and development team has also added new features in the existing products such as unit trust module that supports back-end load and B-shares, monthly stock savings plan and commission rebate modules in COPIA system. The newly developed Sales Tools Box that integrates with retail distribution network to facilitate branch users of banks for online price enquiry, account portfolio enquiry and trade execution will also be launched in a local bank by August 2006.

Employee Information

As at 31 December 2005, the Group had a total of 32 employees (including Directors). For the year under review, the total staff costs amounted to approximately HK$9,226,000 (2004 (restated): HK$10,841,000), representing a decrease of approximately 14.9% over the previous year. The decrease in staff costs was mainly attributable to the smaller headcounts in the research and development team during the slack period in the year and reduction in directors' fee resulted from the resignation of two non-executive Directors.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contributions to mandatory provident fund, medical insurance and share options. No options were granted to the employees of the Group during 2005.

Material acquisitions or disposals of subsidiaries

To better organize the group structure, applications for deregistration of several dormant subsidiaries of the Group, namely ProSticks Publication Limited, ProSticks Multi-text Limited, Daily Vantage Investment Limited and ProSticks Technology Limited, were made to the relevant authorities in 2005. Subsequent to the year end, the Group was informed that ProSticks Publication Limited, ProSticks Multi-text Limited and ProSticks Technology Limited have been deregistered since 27 January 2006, 3 February 2006 and 10 March 2006 respectively. The de-registration process of Daily Vantage Investment Limited is still in progress. The de-registration of the above subsidiaries has no significant impact on the Group's business and financial position.

Save for the abovementioned, no significant investments and material acquisitions or disposals of subsidiaries or affiliated companies which had significant impact on the financial results of the Group were made during the year ended 31 December 2005.

Future plans for material investments or capital assets

As at 31 December 2005, the Group did not have any plan for material investments or capital assets.

PROSPECTS

In light of the continued loss and uncertain prospect of the business of financial instruments analysis software products, the Directors are earnestly reviewing the operations and assessing the future development potential of this business segment. The Directors may consider realizing the business of financial instruments analysis software products, if appropriate, and focus on the business of operational software application products. The Directors will also explore new investment opportunities for the benefit of the Group when they arise.

Looking ahead in 2006, the Group will continue to improve its core competencies and to develop distinguished proprietary products for customers. The Directors expect to see continuous improvement in the Group's performance in the coming year.

EXECUTIVE DIRECTORS

Mr. Li Ching Ping Vincent, aged 58, was appointed as an executive Director in November 2001. He is the Chairman of the Group and is responsible for the overall strategic planning and formulation of corporate policies of the Group. Mr. Li graduated from the University of Manitoba, Canada with a bachelor of science degree. He has extensive experience in the banking and finance field.

Mr. Fung Yan Shun, aged 60, was appointed as an executive Director in July 2004. Mr. Fung is responsible for business development and management of daily operations of the Group. Mr. Fung holds a bachelor degree of science from University of Wisconsin in the United States. He has more than 20 years of management experience in the securities industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Ge Bun, aged 48, was appointed as an independent non-executive Director in November 2001. Mr. Ng holds a degree of bachelor of science and of bachelor of laws. He obtained a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of the Supreme Court of Hong Kong and currently serves as Senior Partner of Messrs. Ng & Lam, Solicitors.

Mr. Wan Yiu Kwan Stephen, aged 49, was appointed as an independent non-executive Director in November 2001. Mr. Wan graduated from the University of Hong Kong with a bachelor degree in social science. He is an associate of The Chartered Secretaries and Administration, UK. He has over 9 years of experience in the banking and finance field. He currently focuses on developing private businesses in the PRC relating to the health care industry.

Mr. Lee Kar Wai, aged 56, was appointed as an independent non-executive Director in September 2004. Mr. Lee holds a master degree of accounting science from University of Urbana, Illinois in the United States. He has more than 25 years of experience in auditing, accounting and financing. Mr. Lee is an independent non-executive director and audit committee member of FlexSystem Holdings Limited, and also a director of Kanghong Digital Image (HK) Limited.

SENIOR MANAGEMENT

Mr. Cheng Chi Kong, aged 33, is the Chief Technical Officer of the Group. He joined the Group in April 2000 and is primarily responsible for software development and system maintenance. Mr. Cheng graduated from the University of Hong Kong with a bachelor degree in engineering. He is a Certified Information System Auditor and has more than 10 years of experience in information technology.

Mr. Lau Chi Ming, aged 33, is the Product Development Manager of the Group. He joined the Group in April 2002 and is responsible for the development of products. Mr. Lau graduated from the University of Hong Kong with a bachelor degree in computer science. He is a Chartered Financial Analyst charterholder and has more than 10 years of experience in information technology.

Ms. Chan Oi Chi Joyce, aged 33, is the Product Development Manager of the Group. She joined the Group in April 2002 and is responsible for system design, analysis, development and implementation of operational software application products. Ms. Chan graduated from the University of Hong Kong with a bachelor degree in computer science. She is a Chartered Financial Analyst charterholder and has more than 10 years of experience in information technology.

Mr. Yuen Sun Chak, aged 38, is the qualified accountant and company secretary of the Group. Mr. Yuen joined the Group in June 2005 and is responsible for the overall management of the financial and company secretarial functions of the Group. Mr. Yuen is a Chartered Financial Analyst charterholder, a Certified Public Accountant and a fellow of the Association of Chartered Certified Accountants. Mr. Yuen holds a master degree in business administration and a bachelor degree in social science. He has more than 15 years of experience in the fields of accounting and finance.

The board (the "Board") of directors (the "Directors") of ProSticks International Holdings Limited (the "Company") herewith presents their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 17 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 December 2005 is set out in note 14 to the financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2005 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 25 to 76.

The Directors do not recommend payment of any dividend in respect of the reporting year (2004: HK$Nil).

SUMMARY FINANCIAL INFORMATION

The following is a summary of the audited consolidated results of the Group for each of the five years ended 31 December prepared on the basis set out in the note below:

	2005	2004	2003	2002	2001
	HK'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Turnover	**11,656**	8,556	6,111	4,110	3,625
Loss before tax	**4,056**	9,673	12,669	20,292	7,383
Net loss after tax	**4,056**	9,673	12,669	20,292	7,383
Total assets	**3,652**	3,935	3,855	13,518	31,738
Total liabilities	**13,123**	9,317	5,270	4,070	3,798

Note: The results of the two years ended 31 December 2004 and 2003 have been restated in accordance with the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants. The results of the two years ended 31 December 2002 and 2001 were extracted from the Company's 2002 and 2001 annual reports.

PLANT AND EQUIPMENT

Movements of plant and equipment are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

INTEREST-BEARING BORROWINGS

Details of the interest-bearing borrowings of the Group are set out in note 23 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 24 and 26 to the financial statements respectively.

CONVERTIBLE SECURITIES

Save as disclosed in note 23 to the financial statements, no convertible securities, options, warrants or similar rights were issued or granted by the Company during the year.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 25 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2005, the Company did not have any reserve available for cash distribution (2004: HK$Nil). In accordance with the laws of the Cayman Islands and the Company's Articles of Association, the Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions of pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	19%
— five largest customers	58%
Purchases	
— the largest supplier	20%
— five largest suppliers	56%

None of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS

The Directors of the Company during the financial year and at the date of this report were:—

Executive Directors

Mr. Li Ching Ping Vincent
Mr. Fung Yan Shun

Non-executive Directors

Mr. Chan Chee Ming Harris	(resigned on 1 April 2005)
Mr. Yip James	(resigned on 21 April 2005)

Independent Non-executive Directors

Mr. Ng Ge Bun
Mr. Wan Yiu Kwan Stephen
Mr. Lee Kar Wai

The Company has received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all independent non-executive Directors are independent to the Group in accordance with the terms of the guidelines as set out in Rule 5.09 of the GEM Listing Rules.

In accordance with Article 87 of the Company's Articles of Association, Mr. Ng Ge Bun will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 10.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting have a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 32 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the Directors and the five highest paid employees in the Group are set out in notes 9 and 10 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

	Number of shares held and nature of interests			Total percentage of
Name of Director	**Personal**	**Corporation**	**Total**	**shareholding**
Mr. Li Ching Ping Vincent ("Mr. Li") *(Note 1)*	—	90,479,242	90,479,242	13.88

Notes:

1. These shares were held by Great Power Associates Limited, a company wholly owned by Mr. Li.

2. Nominee shares in subsidiaries were held by a Director in trust for the Group.

Share options

Name of Director	Date of grant	As at 1 January 2005	Number of share options Granted/Exercised /Cancelled/ Lapsed during the year	As at 31 December 2005	Exercise period and vesting period	Exercise price per share (HK$)
Mr. Li	20/11/2003	24,000,000	—	24,000,000	20/11/2003-19/11/2013	0.021

Save as disclosed above, as at 31 December 2005, none of the Directors or chief executive of the Company had any interest or short position in shares, debenture or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein, or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital
Investec Bank (UK) Limited	Beneficial owner	183,400,000	28.14
Great Power Associates Limited *(Note 1)*	Beneficial owner	90,479,242	13.88
Ms. Li Yuen Sze Mak ("Mrs. Li") *(Note 1)*	Family interest	90,479,242	13.88
Frankie Dominion International Limited *(Note 2)*	Beneficial owner	75,260,986	11.55

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

(Continued)

Long position in shares of the Company *(Continued)*

Name	Capacity	Number of shares	Percentage of issued share capital
Mr. Lam Po Kwai ("Mr. Lam") *(Note 2)*	Interest of a controlled corporation	75,260,986	11.55
Ms. Lee Yuen Bing ("Mrs. Lam") *(Note 2)*	Family interest	75,260,986	11.55
4Bio Signs Corporation *(Note 3)*	Beneficial owner	33,000,000	5.06
Mr. Loh James ("Mr. Loh") *(Note 3)*	Interest of a controlled corporation	33,000,000	5.06
Ms. Loh Cheung Yuk Pok Natalie ("Mrs. Loh") *(Note 3)*	Family interest	33,000,000	5.06

Notes:

1. Great Power Associates Limited is wholly owned by Mr. Li. Accordingly, each of Mr. Li and Mrs. Li, the spouse of Mr. Li, was deemed to be interested in 90,479,242 shares of the Company.

2. Frankie Dominion International Limited is beneficially owned as to 44.2% by Mr. Lam. Accordingly, each of Mr. Lam and Mrs. Lam, the spouse of Mr. Lam, was deemed to be interested in 75,260,986 shares of the Company.

3. 4Bio Signs Corporation is wholly owned by Mr. Loh. Accordingly, each of Mr. Loh and Mrs. Loh, the spouse of Mr. Loh, was deemed to be interested in 33,000,000 shares of the Company.

Long position in underlying shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital
Rapid Falcon Limited *(Note 1)*	Beneficial owner	95,238,095	14.61
Mr. Chow Lork Sang *(Note 2)*	Interest of a controlled corporation	95,238,095	14.61
Mr. Lai Kwok Ching *(Note 2)*	Interest of a controlled corporation	95,238,095	14.61
JL Strategic Fund *(Note 3)*	Beneficial owner	50,000,000	7.67

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

(Continued)

Long position in underlying shares of the Company *(Continued)*

Name	Capacity	Number of shares	Percentage of issued share capital
Swordfish Holdings Limited *(Note 4)*	Beneficial owner	50,000,000	7.67
JL Capital Pte. Ltd. *(Note 5)*	Investment manager	100,000,000	15.34
Mr. Loh *(Note 6)*	Interest of a controlled corporation	100,000,000	15.34
Mrs. Loh *(Note 6)*	Family interest	100,000,000	15.34

Notes:

1. The Company issued a convertible bond of HK$2 million to Rapid Falcon Limited in August 2005. Upon full conversion of the convertible bond, Rapid Falcon Limited will be entitled to 95,238,095 underlying shares of the Company.

2. Rapid Falcon Limited is beneficially owned as to 61% by Mr. Chow Lork Sang and 39% by Mr. Lai Kwok Ching. Accordingly, each of Mr. Chow Lork Sang and Mr. Lai Kwok Ching was deemed to be interested in 95,238,095 underlying shares of the Company.

3. The Company issued a convertible bond of HK$2.5 million to JL Strategic Fund in September 2004. Upon full conversion of the convertible bond, JL Strategic Fund will be entitled to 50,000,000 underlying shares of the Company.

4. The Company issued a convertible bond of HK$2.5 million to Swordfish Holdings Limited in September 2004. Upon full conversion of the convertible bond, Swordfish Holdings Limited will be entitled to 50,000,000 underlying shares of the Company.

5. JL Capital Pte. Ltd. is the investment manager of JL Strategic Fund and Swordfish Holdings Limited and was thus deemed to be interested in 100,000,000 underlying shares of the Company.

6. Mr. Loh holds 99% interests in JL Capital Pte. Ltd. Therefore, each of Mr. Loh and Mrs. Loh, the spouse of Mr. Loh, was deemed to be interested in 100,000,000 underlying shares of the Company.

Save as disclosed above, as at 31 December 2005, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

INTEREST IN COMPETING BUSINESS

During the year, none of the Directors, substantial shareholders of the Company and their respective associates had any interest in any business that directly or indirectly competed with the business of the Group.

AUDITORS

The Company's financial statements for the year ended 31 December 2005 were audited by Messrs. Lak & Associates C.P.A. Limited which were appointed as auditors following the dissolution of Messrs. Fan, Mitchell & Co.. The financial statements for the year ended 31 December 2004 were audited by Messrs. Fan, Mitchell & Co., which replaced Messrs. Moores Rowland Mazars as auditors of the Company on 3 January 2005. Save as disclosed herein, there were no changes in auditors of the Company in any of the preceding 3 years.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Lak & Associates C.P.A. Limited as auditors of the Company.

On Behalf of the Board

Li Ching Ping Vincent
Chairman

Hong Kong, 24 March 2006

The Company is committed to maintaining high standard of corporate governance and has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules by making its best effort (i) to respect the rights of the shareholders and fully recognize the legitimate interests of the shareholders; (ii) to disclose information to shareholders in a timely manner and to increase the transparency of the Company, (iii) to enhance the risk management and internal control policies of the Company; and (iv) to maintain responsible decision making so as to safeguard the interests of the shareholders and the Company as a whole.

Save as the deviations as disclosed in this report, the Company has complied with all the code provisions on corporate governance practices as set out in the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2005.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board of Directors, which currently comprises two executive Directors, namely Mr. Li Ching Ping Vincent and Mr. Fung Yan Shun, and three independent non-executive Directors, namely Mr. Lee Kar Wai, Mr. Wan Yiu Kwan Stephen and Mr. Ng Ge Bun, is responsible for the overall management of the Group. It focuses on directing the corporate strategies and supervising the business and significant affairs of the Group while the duties of the daily operation management are delegated to the management of the Company.

The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. Mr. Li Ching Ping Vincent and Mr. Fung Yan Shun are the chairman and chief executive officer of the Company respectively and their roles are clearly segregated.

Each of Mr. Wan Yiu Kwan Stephen and Mr. Ng Ge Bun has entered into a service contract with the Company for an initial term of one year while Mr. Lee Kar Wai's service contract has an initial term of two years. Their appointments shall continue for further successive periods of one year after the expiration of the initial period, provided that the appointments may be terminated by either party giving not less than one month's prior written notice to the other. Each of the independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

The Board held nine meetings during the year ended 31 December 2005 and the attendance of each Director at the board meetings are set out as follows:

Directors	Attendance
Mr. Li Ching Ping Vincent	9/9
Mr. Fung Yan Shun	8/9
Mr. Lee Kar Wai	6/9
Mr. Wan Yiu Kwan Stephen	7/9
Mr. Ng Ge Bun	7/9
Mr. Yip James	3/9
Mr. Chan Chi Ming Harris	1/9

REMUNERATION OF DIRECTORS

The remuneration committee was established on 23 March 2005 with the major functions of (i) making recommendations to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group; (ii) determining the remuneration packages of all Directors and senior management of the Group; and reviewing and approving the performance-based remuneration.

The remuneration committee of the Company is chaired by Mr. Wan Yiu Kwan Stephen. Other members include Mr. Li Ching Ping Vincent, Mr. Fung Yan Shun, Mr. Lee Kar Wai and Mr. Ng Ge Bun. The majority of the members of the remuneration committee are independent non-executive Directors.

During the year ended 31 December 2005, a meeting of the remuneration committee was held in March 2005. All members of the remuneration committee attended the meeting. The Company's policy for the remuneration of Directors and senior management was discussed in the meeting and no changes on the policy were recommended by the remuneration committee.

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee, and Directors are nominated by existing member(s) of the Board. Board members, except the one who nominates the candidate, shall assess the candidate's suitability of becoming a board member with reference to the nominated candidate's qualification, working experience, past performance and requirements of the Company and relevant provisions in the GEM Listing Rules.

In the meeting held by the Board, with attendance by all Directors, in March 2006, the Board considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Furthermore, in accordance with the Company's articles of association, Mr. Ng Ge Bun shall retire, and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

Under the provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Directors holding office as chairman and/or managing director shall be subject to retirement by rotation. Accordingly, as at the date of this report, Mr. Li Ching Ping Vincent, being the chairman of the Company, is not subject to retirement by rotation. In order to comply with A.4.2 of the CG Code, amendments on the Articles of Association will be proposed for approval by the shareholders of the Company as soon as practicable.

AUDITORS' REMUNERATION

An audit fee of approximately HK$248,000 was charged to the Group's income statement for the year ended 31 December 2005. There were no significant non-audit service assignments undertaken by the auditors during the year.

AUDIT COMMITTEE

The Company's audit committee was established on 26 November 2001 for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. The committee comprises three independent non-executive Directors, namely Mr. Lee Kar Wai (the chairman of the committee), Mr. Wan Yiu Kwan Stephen and Mr. Ng Ge Bun.

In 2005, the audit committee held four meetings and details of the attendance of each member of the committee are set out as follows:

Committee Members	**Attendance**
Mr. Lee Kar Wai	3/4
Mr. Wan Yiu Kwan Stephen	4/4
Mr. Ng Ge Bun	4/4

The audit committee, together with the financial controller of the Company and external auditors, has reviewed the accounting policies and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements of the Company and has made relevant recommendations during the year.

INTERNAL CONTROL

The Company has conducted a review, which covered the major control procedures in areas of financial and operations of the Company, on the internal control system of the Group and was satisfied with the effectiveness of the Group's internal control procedures.

FINANCIAL STATEMENTS

The responsibilities of the Directors for preparing the financial statements and the auditors' reporting responsibilities on the financial statements are set out in the auditors' report contained in this annual report.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the sufficiency of working capital for the Group's future operations.

The Group sustained a consolidated net loss attributable to shareholders of approximately HK$4,056,000 for the year ended 31 December 2005 (2004 (restated): HK$9,673,000). In view of the substantial losses in consecutive years and the significant capital deficiencies, the Directors have carefully reviewed the Group's cash position as at the balance sheet date and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the Directors have taken into account the following factors:

- the possibility of the Company to increase its working capital and capital base through various means of financing and fund-raising exercises, including but not limited to, private placements of the Company's new shares;

- cash generated or to be generated from the increased demand of the Group's system services and new products to be launched;

- commitment on continuous development and improvement of the Group's products; and

- the flexibility of the Group's cost structure.

The Directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of the financial statements on a going concern basis is appropriate.

The auditors, in forming their opinion, have considered the adequacy of the disclosures made in the audited financial statements for the year ended 31 December 2005 concerning the appropriateness of the adoption of the going concern basis in the preparation of the financial statements. The auditors consider that appropriate disclosures have been made and their opinion is not qualified in this respect.

力恒會計師事務所有限公司
LAK & ASSOCIATES C.P.A. LIMITED

TO THE SHAREHOLDERS OF PROSTICKS INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

At the balance sheet date, both the Company and the Group had significant capital deficiencies. In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explain the basis of preparation of the financial statements. The Group is currently undertaking a number of measures to relieve its current profitability and liquidity problems. The financial statements have been prepared on a going concern basis, the validity of which depends upon the generation of sufficient working capital from the Group's future operations and the successful outcome of the Group's funding plans. The Directors, after careful review of the cash generated from the ordinary course of business, the availability of new working capital and other significant factors that would affect the future cash flows of the Group, have concluded that the preparation of the financial statements on a going concern basis is appropriate. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Lak & Associates C.P.A. Limited
Certified Public Accountants

Hong Kong, 24 March 2006

Fung Lak
Practising Certificate Number P01301

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Turnover	7	**11,656**	8,556
Cost of sales		**(2,639)**	(3,321)
Gross profit		**9,017**	5,235
Other revenue	7	**181**	284
Advertising and promotion expenses		**(322)**	(207)
Administrative expenses		**(12,179)**	(14,310)
Other operating expenses		**(37)**	(299)
Loss from operations		**(3,340)**	(9,297)
Finance costs	8a	**(716)**	(376)
Loss from ordinary activities before taxation	8	**(4,056)**	(9,673)
Taxation	11a	**—**	—
Net loss attributable to shareholders	12	**(4,056)**	(9,673)
Loss per share			
— Basic	13	**0.62 cent**	1.56 cents

The annexed notes on pages 30 to 76 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Plant and equipment	15	**478**	785
Intangible assets	16	**—**	—
		478	785
Current assets			
Inventories	18	**—**	—
Trade and other receivables	19	**1,855**	2,127
Cash and cash equivalents	20	**1,319**	1,023
		3,174	3,150
Current liabilities			
Other payables	21	**(3,142)**	(1,606)
Amount due to a Director	22 & 32d	**(153)**	—
Interest-bearing borrowings	23	**(4,890)**	(2,977)
		(8,185)	(4,583)
Net current liabilities		**(5,011)**	(1,433)
Total assets less current liabilities		**(4,533)**	(648)
Non-current liabilities			
Interest-bearing borrowings	23	**(4,938)**	(4,734)
NET LIABILITIES		**(9,471)**	(5,382)
CAPITAL AND RESERVES			
Share capital	24	**6,517**	6,517
Reserves	25a	**(15,988)**	(11,899)
TOTAL EQUITY		**(9,471)**	(5,382)

The annexed notes on pages 30 to 76 form an integral part of these financial statements.

Approved and authorized for issue by the Board of Directors on 24 March 2006.

Li Ching Ping Vincent — *Director*

Fung Yan Shun — *Director*

At 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Interests in subsidiaries	17	**12**	12
Current assets			
Amounts due from subsidiaries	17	**7,857**	6,956
Trade and other receivables	19	**219**	220
Cash and cash equivalents	20	**5**	74
		8,081	7,250
Current liabilities			
Amount due to a subsidiary	17	**—**	(1,977)
Other payables	21	**(1,265)**	(654)
Amount due to a Director	22 & 32d	**(153)**	—
Interest-bearing borrowings	23	**(4,890)**	(2,977)
		(6,308)	(5,608)
Net current assets		**1,773**	1,642
Total assets less current liabilities		**1,785**	1,654
Non-current liabilities			
Interest-bearing borrowings	23	**(4,938)**	(4,734)
NET LIABILITIES		**(3,153)**	(3,080)
CAPITAL AND RESERVES			
Share capital	24	**6,517**	6,517
Reserves	25b	**(9,670)**	(9,597)
TOTAL EQUITY		**(3,153)**	(3,080)

The annexed notes on pages 30 to 76 form an integral part of these financial statements.

Approved and authorized for issue by the Board of Directors on 24 March 2006.

Li Ching Ping Vincent	**Fung Yan Shun**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Note	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Convertible bonds-equity component HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004									
— as previously reported		4,668	23,113	—	24,415	—	(135)	(53,581)	(1,520)
— prior year adjustments in respect of :									
HKFRS 2	3(d)	—	—	795	—	—	—	(795)	—
HKAS 32	3(d)	—	—	—	—	163	—	(58)	105
— as restated		4,668	23,113	795	24,415	163	(135)	(54,434)	(1,415)
Issue of shares	24	1,849	3,685	—	—	—	—	—	5,534
Issue of convertible bonds (restated)		—	—	—	—	318	—	—	318
Net loss for the year (restated)		—	—	—	—	—	—	(9,673)	(9,673)
Share-based payment (restated)	26	—	—	78	—	—	—	—	78
Exchange differences on translation of the financial statements of an overseas subsidiary		—	—	—	—	—	(224)	—	(224)
At 31 December 2004 and at 1 January 2005		6,517	26,798	873	24,415	481	(359)	(64,107)	(5,382)
Issue of a convertible bond	23	—	—	—	—	81	—	—	81
Net loss for the year		—	—	—	—	—	—	(4,056)	(4,056)
Redemption of a convertible bond	23	—	—	—	—	(163)	—	163	—
Forfeited share options expensed off to accumulated losses		—	—	(343)	—	—	—	343	—
Exchange differences on translation of the financial statements of an overseas subsidiary		—	—	—	—	—	(114)	—	(114)
At 31 December 2005		6,517	26,798	530	24,415	399	(473)	(67,657)	(9,471)

The annexed notes on pages 30 to 76 form an integral part of these financial statements.

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Operating activities			
Cash used in operations	28	**(1,345)**	(9,992)
Interest paid	8a, 21 & 23	**(327)**	(167)
Net cash used in operating activities		**(1,672)**	(10,159)
Investing activities			
Interest received		**4**	5
Purchase of plant and equipment		**(75)**	(482)
Net cash used in investing activities		**(71)**	(477)
Financing activities			
Issue of convertible bonds	23	**2,000**	5,000
Redemption of a convertible bond	23	**(3,000)**	—
Issue of shares	24 & 25	**—**	5,534
Proceeds from a new unsecured loan	23	**3,000**	—
Cash advance from Directors	32d	**1,086**	—
Cash repaid to Directors	32d	**(933)**	—
Net cash from financing activities		**2,153**	10,534
Net increase/(decrease) in cash and cash equivalents		**410**	(102)
Cash and cash equivalents at beginning of year		**1,023**	1,349
Effect of foreign exchange rate changes		**(114)**	(224)
Cash and cash equivalents at end of year	20	**1,319**	1,023

The annexed notes on pages 30 to 76 form an integral part of these financial statements.

For the year ended 31 December 2005

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 10 July 2001. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 5 December 2001.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in note 17 to the financial statements.

The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern

The Group sustained a consolidated net loss attributable to shareholders of approximately HK$4,056,000 for the year ended 31 December 2005 (2004 (restated): HK$9,673,000). In view of the substantial losses in consecutive years, the Directors have carefully reviewed the Group's cash position as at the balance sheet date and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the Directors have taken into account the following factors:

- the possibility of the Company to increase its working capital and capital base through various means of financing and fund-raising exercises, including but not limited to, private placements of the Company's shares;
- cash generated or to be generated from increased demand of the Group's system services and new products to be launched;
- commitment on continuous development and improvement of the Group's products; and
- the flexibility of the Group's cost structure.

The Directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of financial statements on a going concern basis is appropriate.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In current year, the Group has applied, for the first time, a number of new/revised Hong Kong Financial Reporting Standards (HKFRSs) and Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") below which are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2005.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS Int-15	Operating Leases — Incentives
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 33, 36, 37, 38, HKFRS 3 and HKAS Int — 15 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements. The impact of adopting the other new HKFRSs is summarized as follows:—

a) Definition of related parties (HKAS 24 Related Party Disclosures)

As a result of the adoption of HKAS 24 Related Party Disclosures, the definition of related parties as disclosed in note 4(q) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. HKAS 24 has affected the identification of related parties and some other related-party disclosures, as compared to those that would have been reported had SSAP 20 Related Party Disclosures still been in effect.

b) Financial instruments (HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement)

The adoption of HKAS 32 and HKAS 39 requires the Group to analyze the compound financial instruments into debt and equity components based on the circumstances at the inception of the instrument. The opening balance in respect of the convertible bonds has therefore been adjusted whereby the equity conversion option is now presented as a component of reserves.

In prior years, the Group's convertible bonds were stated in the balance sheet at costs. With effect from 1 January 2005, in accordance with HKAS 39, convertible bonds issued, net of issuing costs, are split into their liability and equity components.

At initial recognition, the liability component is measured at its fair value and the equity component is assigned the residual amount after deducting fair value of the liability component from the fair value of the convertible bonds as a whole.

The liability component is subsequently carried at amortized cost. The equity component is recognized in the equity until the bond is either converted (in which case it is transferred to share capital and share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

As HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. The financial effects resulted from the change in accounting policy described above are set out in note 3(d) to the financial statements.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

c) Employee share option scheme (HKFRS 2 Share-based Payment)

In prior years, no amounts were recognized when employees (which include Directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium would be credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognizes the fair value of such share options as an expense in the income statement. A corresponding increase is recognized in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting period.

If an employee exercises his/her options, the related capital reserve will be transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve will be transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the Pre-IPO Share Option Scheme as all the options were granted to employees on or before 7 November 2002.

Details of the Share Option Scheme are set out in note 26 to the financial statements.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

d) Summary of the impact of adopting the new HKFRSs

i) *Effect on the consolidated income statement for the years ended 31 December 2005 and 2004*

Effect of new policies	Effect of adoption of HKFRS 2	Effect of adoption of HKAS 32 and HKAS 39	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005			
Increase in finance costs			
— effective interest expense recognized on the liability component of convertible bonds	—	(198)	(198)
Increase in loss	—	(198)	(198)
Increase in basic loss per share	—	(0.03 cent)	(0.03 cent)
Year ended 31 December 2004			
Increase in staff costs			
— share-based payments	(78)	—	(78)
Increase in finance costs			
— effective interest expense recognized on the liability component of convertible bonds	—	(134)	(134)
Increase in loss	(78)	(134)	(212)
Increase in basic loss per share	(0.01 cent)	(0.02 cent)	(0.03 cent)

For the year ended 31 December 2005

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

d) Summary of the impact of adopting the new HKFRSs *(Continued)*

ii) Effect on the consolidated balance sheet as at 31 December 2005

Effect of new policies (Increase/(decrease))	**Effect of adoption of HKFRS 2** HK$'000	**Effect of adoption of HKAS 32 and HKAS 39** HK$'000	**Total** HK$'000
Current interest-bearing borrowings	—	(110)	(110)
Non-current interest-bearing borrowings	—	(62)	(62)
Total effect on liabilities	—	(172)	(172)
Share-based payment reserve	530	—	530
Equity component of convertible bonds	—	399	399
Accumulated losses	(530)	(227)	(757)
Total effect on equity	—	172	172

For the year ended 31 December 2005

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

d) Summary of the impact of adopting the new HKFRSs *(Continued)*

iii) Effect on the consolidated balance sheet as at 1 January 2005

Effect of new policies (Increase/(decrease))	As at 31 December 2004 (Originally stated) HK$'000	Effect of adoption of HKFRS 2 HK$'000	Effect of adoption of HKAS 32 and HKAS 39 HK$'000	As at 1 January 2005 (Restated) HK$'000
Current interest-bearing borrowings	3,000	—	(23)	2,977
Non-current interest-bearing borrowings	5,000	—	(266)	4,734
Total effect on liabilities	8,000	—	(289)	7,711
Share-based payment reserve	—	873	—	873
Equity component of convertible bonds	—	—	481	481
Accumulated losses	(63,042)	(873)	(192)	(64,107)
Total effect on equity	(63,042)	—	289	(62,753)

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

d) Summary of the impact of adopting the new HKFRSs *(Continued)*

iv) Effect on the balance of equity as at 1 January 2004

Effect of new policies (Increase/(decrease))	As at 31 December 2003 (Originally stated) HK$'000	Effect of adoption of HKFRS 2 HK$'000	Effect of adoption of HKAS 32 and HKAS 39 HK$'000	As at 1 January 2004 (Restated) HK$'000
Share-based payment reserve	—	795	—	795
Equity component of convertible bonds	—	—	163	163
Accumulated losses	(53,581)	(795)	(58)	(54,434)
Total effect on equity	(53,581)	—	105	(53,476)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33 to the financial statements).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with HKFRSs (which include all applicable HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They are prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

For the year ended 31 December 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or controls the composition of the Board of Directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (note 4(e)), unless the investment is classified as held for sale. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for to the extent of dividends received and receivable.

c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalized as an additional cost of that asset.

The gain or loss arising from the retirement or disposal of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized as income or expense in the income statement. Improvements are capitalized and depreciated over their expected useful lives.

Depreciation is provided to write off the cost of the assets to their estimated residual value, if any, over their estimated useful lives from the date on which they become fully operational, using the straight-line method, at the following rates per annum:

Leasehold Improvements	Over the terms of the relevant leases
Equipment	20%
Furniture and Fixtures	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Intangible assets — research and development costs

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense is incurred.

The development costs that have been capitalized are amortized from the commencement of sale of products or provision of services on a straight-line method not more than 3 years or over the useful lives of such applications, whichever are shorter.

e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amounts of the inventories are recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

g) Leased assets

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in plant and equipment and depreciated over the shorter of the lease terms and the useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

h) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Cash and cash equivalents

Cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from bank repayable within three months from the date of the advance.

j) Other payables

Other payables are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest method.

l) Taxation

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

For the year ended 31 December 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Taxation *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

m) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

n) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are included in a separate component of equity, the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Translation of foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

o) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

System services and maintenance income is recognized when services are rendered.

Membership subscription fees are recognized when services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

a) The obligations for contributions to defined contribution retirement scheme are recognized as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independent administered fund.

b) Employee entitlements to annual leave and long service payments are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date.

c) Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Employee benefits *(Continued)*

(ii) Share-based payments

The Group operates equity-settled share-based compensation scheme ("Scheme") to remunerate its employees.

For share options granted under the Scheme, the fair value of the employee's services rendered in exchange for the grant of the options is recognized as an expense immediately and credited to the share-based payment reserve under equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting periods. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the share-based payment reserve.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. If the options lapse unexercised, the related share-based payment reserve is transferred directly to retained earnings.

q) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Other parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

r) Post balance sheet events

Post balance sheet events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade and other receivables and plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financial expenses.

t) Convertible bonds

Convertible bonds that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition, the liability component of the convertible bonds is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognized as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Convertible bonds *(Continued)*

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the capital reserve until either the bonds are converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

u) Borrowing costs

All borrowing costs are recognized as and included in finance costs in the income statement in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a) Depreciation and amortization

The Group's net book value of plant and equipment as at 31 December 2005 was approximately HK$478,000. The Group depreciates the plant and equipment on a straight line basis over the estimated useful life of five years and the terms of the relevant leases, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflect the Directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

b) Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

c) Income taxes

As at 31 December 2005, a deferred tax asset of HK$291,000 in relation to unused tax losses has been recognized in the Group's financial statements. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the income statement for the period in which such a reversal takes place.

d) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on the management's significant inputs into calculation included an estimated life of share options granted based on exercise restrictions and behavioural considerations, the volatility of share price which was determined by reference to historical data, weighted average share prices and exercise prices of the share options granted. Furthermore, the calculation assumes nil future dividends. Details of the inputs are set out in note 26 to the financial statements.

e) Convertible bonds

The liability component of the convertible bond is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable for similar non-convertible debt. The determination of the market rate involves management's estimation. The fair value of convertible bonds that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions. The fair value amount is subject to the limitations of the Black-Scholes valuation model and the uncertainty in estimates used by management in the assumptions. Should the estimates and those relevant parameters of the valuation model be changed, there would be changes in the carrying amount and fair value of convertible bonds recognized/disclosed in the financial statements.

f) Unsecured loan

Unsecured loan is initially recognized at fair value and thereafter stated at amortized cost. The market rate used for determining the fair value involves management's estimation.

For the year ended 31 December 2005

6. FINANCIAL RISK MANAGEMENT

The principal financial instruments of the Group comprise trade and other receivables and payables, convertible bonds, unsecured loans and cash and cash equivalents. The main purpose of these financial instruments is to finance the operations of the Group.

i) Foreign currency risk

Most of the sales and expenditures of the Group are denominated in Hong Kong dollar and United States dollar while some transactions are denominated in Renminbi, Canadian dollar and Great Britain pound. As Hong Kong dollar is closely linked with United States dollar and the exchange rates of other currencies used by the Group are relatively stable, the management considers that the Group has no significant foreign currency risk. The Group has not used any financial instrument for hedging purposes.

ii) Credit risk

The Group has limited exposure to credit risk due to tight control of working capital management on the credit policies.

iii) Cash flow interest rate risks

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The interest rates and terms of repayment of the borrowings of the Group are disclosed in note 23 to the financial statements.

iv) Price risk

The Group is not exposed to equity securities price risk as it does not hold any investment which is classified as available-for-sale financial assets or as financial assets at fair value through the income statement. In addition, the Group is not exposed to commodity price risk.

v) Liquidity risk

The Group is exposed to liquidity risk. As at 31 December 2005, the current liabilities of the Group exceeded its current assets by approximately HK$5,011,000. The maintenance of the Group as a going concern depends on the successful outcome of the Group's funding plans and the ongoing support from the Group's creditors.

7. TURNOVER AND OTHER REVENUE

The Group is principally engaged in the development, production and distribution of financial instruments analysis software and operational software application products.

Turnover and other revenue recognized by category are as follows:

	2005 **HK$'000**	2004 HK$'000
Turnover		
Membership subscription fees	**1,682**	1,595
System services and maintenance income	**9,974**	6,961
	11,656	8,556
Other revenue		
Interest income	**4**	5
Exchange gain	**110**	217
Others	**67**	62
	181	284
Total	**11,837**	8,840

For the year ended 31 December 2005

8. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2005 HK$'000	2004 HK$'000 (Restated)
This is stated after charging:		
(a) Finance costs		
Interest on convertible bonds wholly repayable within five years	**580**	359
Interest on other loans wholly repayable within five years	**136**	17
	716	376
(b) Other items		
Staff costs (including Directors' emoluments *(note 9)*)		
— basic salaries and allowances	**8,739**	10,191
— miscellaneous	**228**	269
— contributions to defined contribution plans	**259**	303
— equity-settled share option expenses	**—**	78
	9,226	10,841
Auditors' remuneration		
— provision for the year	**240**	190
— underprovision in prior year	**8**	—
	248	190
Depreciation of plant and equipment *(Note)*	**349**	516
Operating lease charges		
— premises	**410**	462
— plant and equipment	**282**	570
	692	1,032
Research and development expenditure (included in administrative expenses)	**4,465**	5,679
Write-off of plant and equipment	**29**	149
Write-off of inventories	**—**	32
Provision for doubtful debt	**—**	80
Bad debt written off	**4**	59
Loss on disposal of plant and equipment	**4**	11
and crediting:		
Bank interest income	**(4)**	(5)
Exchange gain	**(110)**	(217)
Others	**(67)**	(62)

Note: Depreciation expenses of HK$212,000 (2004: HK$326,000) and HK$137,000 (2004: HK$190,000) have been included in cost of sales and administrative expenses respectively.

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the GEM Listing Rules are as follows:

2005	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Li Ching Ping Vincent	—	1,440	60	12	1,512
Mr. Fung Yan Shun	—	600	11	12	623
Non-executive Directors *(Note i)*					
Mr. Chan Chee Ming Harris	—	—	—	—	—
Mr. Yip James	—	—	—	—	—
Independent Non-executive Directors					
Mr. Ng Ge Bun	110	—	—	—	110
Mr. Wan Yiu Kwan Stephen	110	—	—	—	110
Mr. Lee Kar Wai	110	—	—	—	110
	330	2,040	71	24	2,465

2004	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Li Ching Ping Vincent	—	1,440	—	12	1,452
Mr. Fung Yan Shun	—	271	—	5	276
Mr. Chan Chee Ming Harris	—	350	—	5	355
Mr. Yip James	—	504	—	6	510
Non-executive Directors					
Mr. Chan Chee Ming Harris	—	—	—	—	—
Mr. Yip James	—	—	—	—	—
Independent Non-executive Directors					
Mr. Ng Ge Bun	110	—	—	—	110
Mr. Wan Yiu Kwan Stephen	110	—	—	—	110
Mr. Lee Kar Wai	28	—	—	—	28
	248	2,565	—	28	2,841

For the year ended 31 December 2005

9. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

i. Mr. Chan Chee Ming Harris and Mr. Yip James resigned on 1 April 2005 and 21 April 2005 respectively. No emoluments were paid for their appointment as the non-executive Directors during the year.

ii. No share options were granted to the Directors during the year ended 31 December 2005. Details of the movements of the share options of the Directors are set out in note 26 to the financial statements.

iii. There were no arrangements under which a Director waived or agreed to waive any emoluments during the year.

iv. During the years ended 31 December 2005 and 2004, no emoluments were paid by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include two (2004: two) Directors, details of whose emoluments are set out in note 9 above. The details of the emoluments paid to the remaining highest paid employees are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,260**	1,267
Discretionary bonus	**53**	—
Retirement scheme contributions	**36**	36
	1,349	1,303

Note: During the years ended 31 December 2005 and 2004, no emoluments were paid by the Group to the five highest paid individuals (other than the Directors) as inducement to join or upon joining the Group or as compensation for loss of office.

The number of the remaining highest paid employees whose emoluments fell within the following band is as follows:

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**3**	3

11. TAXATION

a) No Hong Kong or overseas income taxes have been provided for in the financial year as neither the Company nor any of its subsidiaries derived any profit that is subject to Hong Kong or overseas income taxes (2004: HK$Nil).

b) Reconciliation of tax expense

	2005 HK$'000	2004 HK$'000 (Restated)
Loss from ordinary activities before taxation	**(4,056)**	(9,673)
Income tax at rates applicable to profits in the tax jurisdiction	**(876)**	(1,927)
Tax effect of non-deductible expenses	**35**	1,012
Tax effect of non-taxable income	**(21)**	(168)
Tax effect of unrecognized tax losses	**1,126**	1,070
Tax effect of prior year's tax losses utilized	**(313)**	—
Tax effect of unrecognized temporary differences	**49**	13
Tax expense for the year	**—**	—

The applicable tax rates are the appropriate current rates of taxation ruling in the relevant countries in which the Group operates.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders includes a loss of approximately HK$154,000 (2004 (restated): HK$7,935,000) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of approximately HK$4,056,000 (2004 (restated): HK$9,673,000) and the weighted average of 651,700,000 ordinary shares (2004: 617,385,683 ordinary shares) in issue during the year.

No amounts are presented for the diluted loss per share because the Pre-IPO Share Options, Share Options and convertible bonds outstanding during the years ended 31 December 2005 and 2004 had an anti-dilutive effect on the basic loss per share for both years presented.

For the year ended 31 December 2005

14. SEGMENT REPORTING

(a) Primary reporting format — business segments

The Group comprises two main business segments:

Financial instruments analysis software products

They are designed to provide analytical solutions to both institutional and individual investors.

Operational software application products

They are designed to provide solutions to financial institutions for the automation and integration of various operational functions.

	Financial instruments analysis software products		Operational software application products		Consolidated	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000 (Restated)
Revenue						
Segment revenue	**1,682**	1,595	**9,974**	6,961	**11,656**	8,556
Result						
Segment result	**(2,981)**	(2,444)	**5,144**	1,309	**2,163**	(1,135)
Unallocated operating income and expenses					**(5,503)**	(8,162)
Loss from operations					**(3,340)**	(9,297)
Finance costs					**(716)**	(376)
Loss from ordinary activities before taxation					**(4,056)**	(9,673)
Taxation					**—**	—
Net loss attributable to shareholders					**(4,056)**	(9,673)
Assets and liabilities						
Segment assets	**458**	397	**1,301**	2,107	**1,759**	2,504
Unallocated assets					**1,893**	1,431
Total assets					**3,652**	3,935
Segment liabilities	**324**	196	**1,348**	458	**1,672**	654
Unallocated liabilities					**11,451**	8,663
Total liabilities					**13,123**	9,317
Other information						
Capital expenditure incurred during the year	**4**	42	**71**	252		
Depreciation for the year	**84**	313	**191**	47		
Bad debt written off	**4**	—	**—**	59		
Loss on disposal of plant and equipment	**4**	8	**—**	—		
Provision for doubtful debt	**—**	—	**—**	80		
Write-off of plant and equipment	**—**	93	**—**	—		

14. SEGMENT REPORTING *(Continued)*

(b) Secondary reporting format — geographical segments

The Group's operations are principally located in Hong Kong throughout the year. No analyses by geographical segments are provided.

15. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
The Group				
Cost				
At 1 January 2004	132	2,131	259	2,522
Exchange adjustments	—	10	—	10
Additions	96	331	55	482
Disposals	—	(14)	(12)	(26)
Write-off	—	(213)	(112)	(325)
At 31 December 2004 and 1 January 2005	228	2,245	190	2,663
Exchange adjustments	—	4	—	4
Additions	—	75	—	75
Disposals	—	(20)	(9)	(29)
Write-off	(78)	—	—	(78)
At 31 December 2005	150	2,304	181	2,635
Accumulated depreciation and accumulated impairment losses				
At 1 January 2004	10	1,404	129	1,543
Exchange adjustments	—	10	—	10
Charge for the year	101	360	55	516
Eliminated on disposal	—	(6)	(9)	(15)
Eliminated on write-off	—	(120)	(56)	(176)
At 31 December 2004 and 1 January 2005	111	1,648	119	1,878
Exchange adjustments	—	4	—	4
Charge for the year	82	229	38	349
Eliminated on disposal	—	(19)	(6)	(25)
Eliminated on write-off	(49)	—	—	(49)
At 31 December 2005	144	1,862	151	2,157
Net book value				
At 31 December 2005	6	442	30	478
At 31 December 2004	117	597	71	785

For the year ended 31 December 2005

16. INTANGIBLE ASSETS

	Financial software application HK$'000	Development costs HK$'000	Total HK$'000
The Group			
Cost			
At beginning of the year and at balance sheet date	1,800	851	2,651
Accumulated amortization and impairment losses			
At beginning of the year and at balance sheet date	(1,800)	(851)	(2,651)
Net book value			
At beginning of the year and at balance sheet date	—	—	—

During 2003, the products developed by the Group were not well received by the market. For prudence sake, impairment loss for the whole amount of the financial software application was provided in the financial year ended 31 December 2003.

For the year ended 31 December 2005

17. INTERESTS IN SUBSIDIARIES

	The Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**12**	12
Due from subsidiaries	**34,801**	36,618
Less: Allowances for amounts due from subsidiaries	**(26,944)**	(29,662)
	7,857	6,956
Due to a subsidiary	**—**	(1,977)
	7,869	4,991

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities respectively are unsecured, interest free and repayable on demand. The carrying amounts of these due from/to subsidiaries approximate their fair values.

Details of the subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
ProSticks (B.V.I.) Limited*	British Virgin Islands	US$1,235,700 Ordinary	100%	100%	—	Investment holding
ProSticks.com Limited	Hong Kong	HK$22,000,000 Ordinary	100%	—	100%	Development and provision of financial instruments analysis software products and operational software application products

For the year ended 31 December 2005

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the subsidiary	Principal activities
ProSticks Technology Limited	Hong Kong	HK$2 Ordinary	100%	—	100%	Dormant#
ProSticks Publication Limited*	Hong Kong	HK$2 Ordinary	100%	—	100%	Dormant#
ProSticks Multi-text Limited	Hong Kong	HK$5,000,000 Ordinary	100%	—	100%	Dormant#
iEngines Limited	Hong Kong	HK$5,000,000 Ordinary	100%	—	100%	Development and provision of operational software application products
ProSticks Financial Solutions Limited*	Canada	CAD1 Ordinary	100%	—	100%	Development and provision of financial instruments analysis software products
Daily Vantage Investment Limited*	Hong Kong	HK$2 Ordinary	100%	—	100%	Dormant#
Global Media Services Limited*	British Virgin Islands	US$1 Ordinary	100%	—	100%	Dormant

* *Not audited by Messrs. Lak & Associates C.P.A. Limited*

\# In the process of deregistration as at the balance sheet date

18. INVENTORIES

	The Group	
	2005	2004
	HK$'000	HK$'000
Merchandize held for sales	**—**	—

Finished goods of cost of approximately HK$32,000 were written off in the financial year ended 31 December 2004.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivable	**1,332**	1,504	**—**	—
Other receivables				
Deposits, prepayments and other debtors	**523**	623	**219**	220
	1,855	2,127	**219**	220

All of the trade and other receivables are expected to be recovered within one year. An aging analysis of the trade receivable as at the balance sheet date, based on the invoice date and net of specific provision for doubtful debt, is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**1,041**	334
Between 31 days and 60 days	**115**	1,120
Between 61 days and 90 days	**—**	21
Over 90 days	**176**	29
	1,332	1,504

General credit terms that the Group offers to customers are 30 days from billing.

The carrying amounts of the trade and other receivables approximate their fair values.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2005	2004	**2005**	2004
United States Dollars (US$'000)	**71**	147	**5**	6
Renminbi (RMB'000)	**4**	1	**—**	—
Canadian Dollars (CAD'000)	**1**	1	**—**	—

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances	**1,314**	1,021	**5**	74
Cash balances	**5**	2	**—**	—
Cash and cash equivalents in the consolidated cash flow statement	**1,319**	1,023	**5**	74

Included in the cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2005	2004	**2005**	2004
United States Dollars (US$'000)	**27**	1	**—**	—
Renminbi (RMB'000)	**5**	—	**—**	—
Canadian Dollars (CAD'000)	**1**	3	**—**	—

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

21. OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance				
— membership subscription fees	**143**	190	**—**	—
— system services and maintenance income	**445**	216	**—**	—
— trade deposit received	**500**	—	**—**	—
Accrued charges and other creditors	**1,750**	1,087	**961**	541
Accrued interests	**304**	113	**304**	113
	3,142	1,606	**1,265**	654

All of the other payables are expected to be settled within one year.

Included in the other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2005	2004	**2005**	2004
United States Dollars (US$'000)	**4**	2	**—**	—
Renminbi (RMB'000)	**15**	—	**—**	—
Canadian Dollars (CAD'000)	**1**	—	**—**	—

The carrying amounts of the other payables approximate their fair values.

22. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and repayable on demand.

For the year ended 31 December 2005

23. INTEREST-BEARING BORROWINGS

	The Group and The Company	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Current portion		
Repayable within one year		
— convertible bonds *(Note i)*	**4,890**	2,977
Non-current portion		
Repayable after one year but not exceeding 2 years		
— convertible bonds *(Note i)*	**1,938**	4,734
— unsecured loan *(Note ii)*	**3,000**	—
	4,938	4,734
	9,828	7,711

Except for the unsecured loan, all the convertible bonds of the Company bear interest at floating interest rates.

The amortized cost of the unsecured loan at the balance sheet date does not differ materially from its face amount. The carrying amount of the unsecured loan approximates its fair value, which was calculated by discounting the expected future cash flows at prevailing interest rates.

23. INTEREST-BEARING BORROWINGS *(Continued)*

The fair value of the liability component of the convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The net proceeds received from the issue of the convertible bonds have been split between the liability and equity components, as follows:

	The Group and The Company	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Nominal value of convertible bonds issued on:		
— 1 April 2003	**—**	3,000
— 1 September 2004	**5,000**	5,000
— 22 August 2005	**2,000**	—
Total nominal value of convertible bonds	**7,000**	8,000
Equity component	**(399)**	(481)
Liability component at the issuance date	**6,601**	7,519
Liability component at beginning of the year	**7,711**	2,895
Liability component — new convertible bonds issued during the year	**1,919**	4,682
Interest expense at effective interest rate	**580**	359
Interest expense at coupon rate	**(382)**	(225)
Redemption of a convertible bond during the year	**(3,000)**	—
Liability component at the end of the year, at amortized cost	**6,828**	7,711

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of Hong Kong prime rate plus 3% per annum to the liability component.

The carrying amounts of the current portion of the convertible bonds approximate their fair values. The fair value of the non-current portion of the convertible bonds was calculated by discounting the expected future cash flows at prevailing interest rates.

For the year ended 31 December 2005

23. INTEREST-BEARING BORROWINGS *(Continued)*

The carrying amounts and fair value of the Group's and the Company's non-current portion of the convertible bonds are shown as follows:

	Carrying amounts		Fair value	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Convertible bonds	**1,938**	4,734	**1,836**	4,725

Notes:

(i) **Convertible bonds**

The convertible bond issued on 1 April 2003 in aggregate principal amount of HK$3,000,000 was fully redeemed on 1 April 2005.

On 1 September 2004, two convertible bonds in aggregate principal amount of HK$5,000,000 were issued by the Company. The bonds bear interest at the rate of Hong Kong prime rate less 0.5% per annum. The whole principal amount of the bonds together with any outstanding interest is repayable on 1 September 2006. The bondholders have a right to convert all or part of the principal of the bonds into ordinary shares of the Company before the maturity date at an initial conversion price of HK$0.05 per share (subject to adjustments, if any). A total of 100,000,000 new shares will be issued upon full conversion of the bonds. No parts of the principal of the bonds were converted or redeemed during the year.

On 22 August 2005, the Company issued a convertible bond in aggregate principal amount of HK$2,000,000, which bears interest at the rate of Hong Kong prime rate per annum. The whole principal amount of the bond together with any outstanding interest is repayable on 21 February 2007. The bondholder has the right to convert all or part of the principal of the bond into ordinary shares of the Company before the maturity date at an initial conversion price of HK$0.021 per share (subject to adjustments, if any). A total of 95,238,095 new shares will be issued upon full conversion of the bond. No parts of the principal of the bond were converted or redeemed during the year.

(ii) **Unsecured loan**

The Company borrowed an unsecured loan of HK$3,000,000 pursuant to the loan agreement dated 22 March 2005. The unsecured loan bears interest at a fixed rate of 6% per annum and is repayable on 1 April 2007.

For the year ended 31 December 2005

24. SHARE CAPITAL

	2005		2004	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorized:				
Ordinary shares of HK$0.01 each	**8,000,000,000**	**80,000**	8,000,000,000	80,000
Issued and fully paid:				
At 1 January	**651,700,000**	**6,517**	466,800,000	4,668
New shares issued	**—**	**—**	184,900,000	1,849
At 31 December	**651,700,000**	**6,517**	651,700,000	6,517

25. RESERVES

a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

b) The Company

	Note	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible bonds-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004						
— as previously reported		23,113	—	—	(28,961)	(5,848)
— prior year adjustments in respect of:						
HKFRS 2	3(d)	—	795	—	(795)	—
HKAS 32	3(d)	—	—	163	(58)	105
— as restated		23,113	795	163	(29,814)	(5,743)
Issue of shares		3,685	—	—	—	3,685
Issue of convertible bonds (restated)	3(d)	—	—	318	—	318
Net loss for the year (restated)	3(d)	—	—	—	(7,935)	(7,935)
Share-based payment (restated)	26	—	78	—	—	78
At 31 December 2004 and at 1 January 2005		26,798	873	481	(37,749)	(9,597)
Issue of a convertible bond	23	—	—	81	—	81
Net loss for the year		—	—	—	(154)	(154)
Redemption of a convertible bond	23	—	—	(163)	163	—
Forfeited share options expensed off to accumulated losses		—	(343)	—	343	—
At 31 December 2005		26,798	530	399	(37,397)	(9,670)

25. RESERVES *(Continued)*

The capital reserve of the Group represents the excess of the nominal value of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganization over the nominal value of the share capital of the Company issued in exchange therefor.

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay its debts as they fall due in the ordinary course of business. As at 31 December 2005, in the opinion of the Directors, the Company did not have any reserve available for distribution to shareholders (2004: HK$Nil).

26. SHARE-BASED EMPLOYEE COMPENSATION

Pre-IPO Share Option Scheme

The Company adopted a Pre-IPO Share Option Scheme on 24 November 2001, pursuant to which, the Board might during the period commencing on the adoption date of the Pre-IPO Share Option Scheme and ending on the day immediately prior to the day when bulk printing of the prospectus for listing of shares of the Company took place grant options to any employee of the Group or any other persons who, in the sole discretion of the Board, have contributed or would contribute to the Group to subscribe for shares of the Company at HK$0.12 per share, representing a discount of approximately 64% of the placing price when the shares of the Company were first listed on GEM of the Stock Exchange on 5 December 2001.

On 27 November 2001, options to subscribe for a total of 44,000,000 shares of the Company were granted to a Director and an employee at a total consideration of HK$2. The options granted may be exercised at any time during the period from 5 December 2001 to 4 December 2011. No options were granted under the Pre-IPO Share Option Scheme after the listing of the shares of the Company. The option for subscribing 40,000,000 shares of the Company was lapsed and an option to subscribe for 4,000,000 shares was outstanding as at 31 December 2005. No options granted under the Pre-IPO Share Option Scheme were exercised, cancelled or lapsed during the year.

Share Option Scheme

The Company adopted a Share Option Scheme on 24 November 2001 for the purpose of providing incentives or rewards to selected persons for their contribution to the Group. The Share Option Scheme shall be valid and effective for 10 years with expiry date of 5 December 2011. Pursuant to the Share Option Scheme, the Board may grant options to any employee of the Group or any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group to subscribe for shares of the Company at a price determined by the Board and shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the options which must be a business day, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and (iii) the nominal value of a share on the date of offer of the options.

26. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Share Option Scheme *(Continued)*

The total number of securities which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 65,170,000 shares, representing 10 per cent of the shares in issue as at 26 April 2005, the date of the annual general meeting of the Company in which shareholders' approval for refreshing the scheme mandate limit was obtained and the date of the annual report respectively. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1 per cent of the shares in issue.

The grantees may accept the offer of options by paying HK$1 as the consideration of the grant to the Company within 28 days from the date of offer. Any offer which is not accepted within such period will be deemed to have been irrevocably declined. The options may be exercised at any time during a period of 10 years from the date of grant of the options and there is no lock-up period for exercise of the options.

The movements in the share options of the Company during the year are shown in the following table:

Name of Participants	Date of Grant	Exercise Period and Vesting Period	Exercise Price per Share (HK$)	Options outstanding as at 01/01/2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options outstanding as at 31/12/2005
Directors:								
Chan Chee Ming Harris	02/12/2003	02/12/2003-01/12/2013	0.021	10,000,000	—	—	(10,000,000)	—
Li Ching Ping Vincent	20/11/2003	20/11/2003-19/11/2013	0.021	24,000,000	—	—	—	24,000,000
Yip James	20/11/2003	20/11/2003-19/11/2013	0.021	34,000,000	—	—	(34,000,000)	—
Sub-total				68,000,000	—	—	(44,000,000)	24,000,000
Participants with options granted in excess of the individual limit:								
Li Yue Toa Gilbert	14/07/2003	14/07/2003-04/07/2013	0.021	16,000,000	—	—	—	16,000,000
Chan Cheong Pang	01/12/2003	01/12/2003-30/11/2013	0.021	5,000,000	—	—	—	5,000,000
Chan Oi Chi Joyce	02/12/2003	02/12/2003-01/12/2013	0.021	5,000,000	—	—	—	5,000,000
Cheng Chi Kong	09/12/2003	09/12/2003-08/12/2013	0.021	3,600,000	—	—	—	3,600,000
Lau Chi Ming	11/12/2003	11/12/2003-10/12/2013	0.021	5,000,000	—	—	—	5,000,000
Lai Man Kwan Jim	21/11/2003	21/11/2003-20/11/2013	0.021	4,000,000	—	—	(4,000,000)	—
	03/02/2004	03/02/2004-29/01/2014	0.050	660,000	—	—	(660,000)	—
Ho Wai Man Heidi	31/07/2003	31/07/2003-04/07/2013	0.021	3,000,000	—	—	(3,000,000)	—
	20/11/2003	20/11/2003-19/11/2013	0.021	2,400,000	—	—	(2,400,000)	—
Sub-total				44,660,000	—	—	(10,060,000)	34,600,000

For the year ended 31 December 2005

26. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Name of Participants	Date of Grant	Exercise Period and Vesting Period	Exercise Price per Share (HK$)	Options outstanding as at 01/01/2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options outstanding as at 31/12/2005
Employees:								
In aggregate	12/07/2003	12/07/2003-04/07/2013	0.021	1,800,000	—	—	—	1,800,000
	14/07/2003	14/07/2003-04/07/2013	0.021	800,000	—	—	—	800,000
	21/07/2003	21/07/2003-04/07/2013	0.021	2,000,000	—	—	—	2,000,000
	30/07/2003	30/07/2003-04/07/2013	0.021	2,000,000	—	—	—	2,000,000
	01/08/2003	01/08/2003-04/07/2013	0.021	600,000	—	—	—	600,000
	03/02/2004	03/02/2004-29/01/2014	0.050	2,200,000	—	—	—	2,200,000
Sub-total				9,400,000	—	—	—	9,400,000
Others:								
In aggregate	16/07/2003	16/07/2003-04/07/2013	0.021	4,200,000	—	—	—	4,200,000
	13/02/2004	13/02/2004-29/01/2006	0.050	1,200,000	—	—	—	1,200,000
Sub-total				5,400,000	—	—	—	5,400,000
TOTAL				127,460,000	—	—	(54,060,000)	73,400,000

26. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Notes:

(a) No options were granted during the year under review. The aggregate fair value of outstanding options granted under the Share Option Scheme as at 31 December 2005, measured at their respective dates of grant, amounted to approximately HK$530,000. The fair values of the outstanding options were derived from Black-Scholes option pricing model by applying the following bases and assumptions:

Date of grant (dd-mm-yy)	Expected volatility	Expected life (in years)	Risk-free interest rate	Expected dividend yield
12/07/03	2.06%	10	4.27%	Nil
14/07/03	2.06%	10	4.27%	Nil
16/07/03	2.03%	10	4.27%	Nil
21/07/03	2.01%	10	4.27%	Nil
30/07/03	1.92%	10	4.27%	Nil
01/08/03	1.89%	10	4.69%	Nil
20/11/03	1.02%	10	4.35%	Nil
01/12/03	1.00%	10	4.43%	Nil
02/12/03	0.99%	10	4.43%	Nil
09/12/03	0.98%	10	4.43%	Nil
11/12/03	0.97%	10	4.43%	Nil
03/02/04	0.74%	10	3.97%	Nil
13/02/04	1.08%	2	0.92%	Nil

i) the expected volatilities of the options were calculated based on the annualized historical volatility of the closing price of the shares of the Company for the 12 months immediately preceding the date of grant of the options;

ii) the monthly average yields of Exchange Fund Notes were applied as the risk-free interest rates; and

iii) the expected dividend yields were estimated based on the historical dividend yields which were zero.

(b) If options are forfeited before expiration or lapsed, the related capital reserve will be transferred directly to retained earnings.

(c) The value of the options are subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

For the year ended 31 December 2005

27. DEFERRED TAXATION

a) The Group

The components of deferred tax (assets)/liabilities recognized in the Consolidated Balance Sheet and the movements during the year are as follows:

Deferred tax arising from:	**Accelerated tax depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2004	113	(113)	—
Charged/(credited) to consolidated income statement	(24)	24	—
At 31 December 2004 and at 1 January 2005	89	(89)	—
Charged/(credited) to consolidated income statement	(38)	38	—
At 31 December 2005	51	(51)	—

As at the balance sheet date, the Group had unused tax losses of approximately HK$52,731,000 (2004: HK$46,867,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK$291,000 (2004: HK$509,000) of such losses. No deferred tax assets have been recognized in respect of the remaining of approximately HK$52,440,000 (2004: HK$46,358,000) due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

In addition, the subsidiary in Canada had deductible temporary differences of approximately HK$69,000 as at the balance sheet date (2004: HK$58,000). Deferred tax assets have not been recognized in respect of such deductible temporary differences (2004: HK$Nil) due to the unpredictability of future profits streams.

b) The Company

As at the balance sheet date, the Company had unused tax losses of approximately HK$9,890,000 (2004: HK$3,122,000) available for offset against future profits. No deferred tax assets have been recognized in respect of such losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

For the year ended 31 December 2005

28. CASH USED IN OPERATIONS

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Loss from ordinary activities before taxation		**(4,056)**	(9,673)
Depreciation		**349**	516
Interest income		**(4)**	(5)
Interest expenses	8a & 23	**716**	376
Write-off of plant and equipment		**29**	149
Loss on disposal of plant and equipment		**4**	11
Equity-settled share option expenses	26	**—**	78
Changes in working capital:			
— Inventories		**—**	32
— Trade and other receivables		**272**	(632)
— Other payables		**1,345**	(844)
Cash used in operations		**(1,345)**	(9,992)

29. COMMITMENTS UNDER OPERATING LEASES

The Group leases properties and equipment under operating leases without contingent rentals. The leases run for one to five years.

During the year, approximately HK$692,000 (2004: HK$1,032,000) has been recognized as rental expenses and data and internet expenses in the consolidated income statement in respect of the operating leases.

As at the balance sheet date, the Group had total future minimum lease payments of approximately HK$831,000 (2004: HK$582,000) under non-cancellable operating leases, which are payable as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**217**	547
In the second to fifth years inclusive	**614**	35
	831	582

30. RETIREMENT SCHEME

In compliance with the Mandatory Provident Fund (the "MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, the Group is participating in a defined contribution MPF scheme operated by an approved trustee in Hong Kong and is making contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages of the employees (monthly mandatory contribution is limited to 5% of HK$20,000 for each eligible employee as stipulated by the MPF legislation). Any contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions may be used by the Group to reduce the existing level of contributions. No such amounts were utilized by the Group during the year. The total pension cost charged to the consolidated income statement for the year ended 31 December 2005 amounted to HK$259,000 (2004: HK$303,000).

31. CONTINGENT LIABILITIES

	2005	2004
	HK$'000	HK$'000
Contingent liabilities in respect of		
Unconsumed annual leave	**119**	64
Long service payment	**31**	—
	150	64

As at 31 December 2005, the Group had a contingent liability of maximum possible amount of approximately HK$119,000 (2004: HK$64,000) in respect of the possible future payments to employees for their unconsumed annual leave accrued during the year. No provisions were made for such possible payments as the Directors believe that the employees would utilize the unconsumed annual leave in the following year and the probability of material future cash outflow is remote.

As at 31 December 2005, the Group also had a contingent liability of the possible future payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$31,000 (2004: HK$Nil). The contingent liability has arisen because, at the balance sheet date, a number of employees hired by the Group have become eligible for long service payments under the Employment Ordinance if their employments are terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group in respect thereof.

32. RELATED PARTY TRANSACTIONS

a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the years ended 31 December 2005 and 2004.

Name	Nature of transaction	**2005** **HK$'000**	2004 HK$'000
Related company			
iMarkets Limited	Consultancy service income	**—**	79

Notes:

1. Mr. Yip James, a former director of the Company, was a director of iMarkets Limited ("iMarkets").

2. The consultancy service income represents service fee charged to iMarkets based on the actual work time of the staff spent on providing the consultancy service.

3. On 8 September 2003, iEngines Limited ("iEngines"), a subsidiary of the Company, signed an agreement (the "Agreement") with iMarkets, pursuant to which, iMarkets agreed to accept the appointment as the sole and exclusive marketing agent for the products of iEngines for the consideration of a service fee of 60% of the net profit (as defined in the Agreement) of iEngines generated from the business introduced by iMarkets for an initial term of two years from 8 September 2003 to 7 September 2005. No service fees were paid or payable by iEngines to iMarkets during the years ended 31 December 2005 and 2004 as iMarkets did not introduce any new business to iEngines during the said period.

4. The above transactions fall under the definition of "continuing connected transaction" in Chapter 20 of the GEM Listing Rules. However, these transactions were exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31 of the GEM Listing Rules.

b) Key management personnel compensation

Key management personnel of the Group in 2005 and 2004 were all Directors of the Company and details of their emoluments are also disclosed in note 9 to the financial statements.

	2005 **HK$'000**	2004 HK$'000
Directors' fees, salaries and other short-term employee benefits	**2,441**	2,813
Post-employment benefits	**24**	28
Other long-term benefits	**—**	—
Share-based payments	**—**	—
	2,465	2,841

Note: The above transactions fall under the definition of "continuing connected transaction" in Chapter 20 of the GEM Listing Rules. However, these transactions were exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31 of the GEM Listing Rules.

32. RELATED PARTY TRANSACTIONS *(Continued)*

c) Balance with a related party

	2005	2004
	HK$'000	HK$'000
Non-trade balance due to a Director		
— Mr. Li Ching Ping Vincent	**153**	—

d) Movements of non-trade balances with related parties

	2005	2004
	HK$'000	HK$'000
Non-trade balances due to:		
Director — Mr. Li Ching Ping Vincent		
Beginning of the year	**—**	—
Cash receipts	**653**	—
Cash repayments	**(500)**	—
End of the year	**153**	—
Director — Mr. Fung Yan Shun		
Beginning of the year	**—**	—
Cash receipts	**433**	—
Cash repayments	**(433)**	—
End of the year	**—**	—

Note: The above transactions fall under the definition of "connected transaction" in Chapter 20 of the GEM Listing Rules. However, these transactions were exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.65 of the GEM Listing Rules.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKFRS 4, Amendment to HKAS 21, The effects of changes in foreign rates — Net investment in a foreign operation	1 January 2006
HKFRS 6, Exploration for and evaluation of mineral resources	1 January 2006
HKFRS-Int 4, Determining whether an arrangement contains a lease	1 January 2006
HKFRS-Int 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC)-Int 6, Liabilities arising from participating in a specific market — Waste electrical and electronic equipment	1 December 2005
HK(IFRIC)-Int 7, Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
Amendments to HKAS 19, Employee benefits — Actuarial gains and losses, group plans and disclosures	1 January 2006
Amendments to HKAS 39, Financial instruments: Recognition and measurement:	
— Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
— The fair value option	1 January 2006
— Financial guarantee contracts	1 January 2006

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005 *(Continued)*

	Effective for accounting periods beginning on or after
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
— HKAS 1, Presentation of financial statements	1 January 2006
— HKAS 27, Consolidated and separate financial statements	1 January 2006
— HKFRS 3, Business combinations	1 January 2006
— HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Company's financial statements for the period beginning 1 January 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of such standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

34. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of changes in accounting policies. Further details are disclosed in note 3 to the financial statements.

To conform to the current year's presentation, comparative figures of the amounts due from and to subsidiaries included in "Interests in subsidiaries" of approximately HK$6,956,000 and HK$1,977,000, respectively, were reclassified under the Company's current assets and current liabilities, respectively. Except for the increase in current assets and current liabilities on the Company's balance sheet by the respective amounts, such reclassification has no net effect on the results for the current year or prior accounting periods.

NOTICE IS HEREBY GIVEN that the 2005 Annual General Meeting of the Company will be held at 15th Floor, Asia Financial Centre, 120 Des Voeux Road Central, Hong Kong on Monday, 8 May 2006 at 11:00am for the following purposes :

1. To consider and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2005.

2. To re-elect the retiring director and to authorize the board of directors to fix directors' remuneration.

3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as Ordinary Resolutions:

   A. "**THAT** :

      (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

      (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this Resolution), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of options to subscribe for, or rights to acquire, shares of the Company or, (iv) any scrip dividend or similar arrangement providing for the allotment of shares in the capital of the Company in lieu of the whole or part of the cash payment for any dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution :—

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of :—

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in a general meeting.

"Rights Issue" means the allotment, issue or grant of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company)."

B. "**THAT** :

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all powers of the Company to repurchase its own issued shares in the capital of the Company in accordance with laws and requirements and regulations of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchanges on which the shares of the Company may be listed and recognized by The Securities and Futures Commission of Hong Kong and Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution :—

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of :—

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in a general meeting.

C. "**THAT**" subject to the passing of the Ordinary Resolution Nos. 4A and 4B, the general mandate granted to the Directors to allot, issue and deal with additional securities pursuant to Resolution No. 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 4B, provided that such amount of shares so repurchased shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution".

5. To transact any other ordinary business.

By Order of the Board
Li Ching Ping Vincent
Chairman

Hong Kong, 24 March 2006

Principal Place of Business in Hong Kong
15th Floor
Asia Financial Centre
120 Des Voeux Road Central
Hong Kong

Notes :

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

2. To be valid, a form of the proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of authority, must be delivered at the Company's branch registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting.

3. Completion and return of the form of proxy will not preclude members from attending and voting at the annual general meeting.

APPENDIX

Biography of Retiring and Re-electing Director

Mr. Ng Ge Bun, aged 48, was appointed an independent non-executive Director on 26 November 2001. Mr. Ng is a member of the audit committee and remuneration committee of the Company. Save for the above, Mr. Ng has not held any other position with the Company or its subsidiaries since he joined the Group. Mr. Ng holds a degree of bachelor of science and of bachelor of laws. He obtained a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of the Supreme Court of Hong Kong and currently serves as Senior Partner of Messrs. Ng & Lam, Solicitors. Mr. Ng is an independent non-executive director of Guo Xin Group Limited. He was also an independent non-executive director of New Smart Holdings Limited (formerly known as U-Cyber Technology Holdings Limited) before his resignation on 14 May 2004.

Mr. Ng has entered into a service contract with the Company for a term of one year, commencing 26 November 2001, and thereafter shall continue for further successive periods of one year, subject to his retirement and re-election in accordance with the Articles of Association of the Company. Pursuant to the service contract, Mr. Ng is entitled to a remuneration of HK$110,000 per annum (including remuneration for being a member of the audit committee), which was determined based on the estimated time to be spent by him on the Company's matters and with reference to his duties and responsibilities.

Mr. Ng does not have any relationship with any of the directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Mr. Ng does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, neither there is any other information that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs (h) to (v) therein) nor is there any other matter that need to be brought to the attention of the shareholders of the Company.