

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this prospectus or as to the action to be taken, you should obtain professional advice.

If you have sold or transferred all your shares in FinTronics Holdings Company Limited ("Company"), you should at once hand this prospectus together with the enclosed provisional allotment letter and form of application for excess Rights Shares (as defined herein) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited ("Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with copies of the provisional allotment letter, the form of application for excess Rights Shares (as defined herein) and the documents mentioned in the paragraph headed "Documents delivered to the Registrars of Companies" in appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares, has been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus.

Dealings in the shares of the Company and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance, settlement in CCASS with effect from the respective commencement dates of dealings or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

FinTronics **银创控股**

FINTRONICS HOLDINGS COMPANY LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 706)

RIGHTS ISSUE OF 528,644,000 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.10 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY SHARE HELD ON THE RECORD DATE)

Underwriter

Leading Value Industrial Limited

The Underwriting Agreement (as defined herein) contains provisions granting the Underwriter (as defined herein), by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. The Underwriter may terminate its commitment under the Underwriting Agreement on or before 4:00 p.m. on the second Business Day (as defined herein) after the Latest Acceptance Date (as defined herein) if:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue (as defined herein) would be materially and adversely affected by:
- (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group (as defined herein) as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (iv) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exception financial circumstances or otherwise; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the circular of the Company dated 17 February 2006 or this prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules (as defined herein) or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs (other than out-of-pocket expenses incurred), damages, compensation or otherwise and the Rights Issue will not proceed.

The Shares have been dealt in on an ex-rights basis from Tuesday, 28 February 2006. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 9 March 2006 to Thursday, 16 March 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before Thursday, 23 March 2006 (or such later time and/or date as the Company and the Underwriter may determine), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse. Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Thursday, 9 March 2006 to Thursday, 16 March 2006 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

7 March 2006

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	6
Letter from the Board	8
Appendix I – Financial information on the Group	24
Appendix II – Unaudited pro forma adjusted consolidated net tangible assets statement	98
Appendix III – Financial information on Loten Technology Co., Ltd.	101
Appendix IV – Financial information of the Enlarged Group	119
Appendix V – General information	128

DEFINITIONS

In this prospectus, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 11 January 2006 relating to, among other things, the proposed Rights Issue and the Whitewash Waiver
“associate”	has the meaning ascribed to it under Chapter 1 of the Listing Rules
“ATM Companies”	Loten Technology and 北京太陽先鋒科技有限公司 (Beijing Sun Leader Technology Co., Ltd.)
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 17 February 2006 in connection with, among other matters, the proposed Rights Issue and the Whitewash Waiver
“Company”	FinTronics Holdings Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Company and its subsidiaries immediately after the completion of the acquisition of the 70% interests in the ATM Companies pursuant to the Sale and Purchase Agreement, the details of which are set out in the Company’s circular dated 30 December 2005
“Excess Application Form(s)”	form(s) of application for excess Rights Shares
“Excluded Shareholders”	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Shareholders”	shareholders of the Company, other than the Underwriter, Mr. Sze Wai, Marco and parties acting in concert with anyone of them, the other executive Directors and their respective associates and shareholders who are interested in or involved in the Rights Issue and/or the Whitewash Waiver otherwise than being merely as shareholders
“Latest Acceptance Date”	Tuesday, 21 March 2006 or such other date as may be agreed between the Company and the Underwriter
“Latest Acceptance Time”	4:00 p.m. on the Latest Acceptance Date or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
“Latest Practicable Date”	2 March 2006, being the latest practicable date prior to the printing of this prospectus for inclusion of certain information in this prospectus
“Last Trading Date”	9 January 2006, being the last trading day of the Shares prior to the release of the Announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Loten Technology”	龍騰科技有限公司 (Loten Technology Co., Ltd.), a limited liability company established in the PRC on 14 September 2001, which has become a wholly foreign owned enterprise in April 2005
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 15,681,000 Shares pursuant to the Share Option Schemes, which were outstanding as at the Latest Practicable Date
“Outstanding Warrants”	the unlisted warrants issued by the Company which entitled the holders thereof to subscribe in cash for an aggregate of 90,000,000 Shares as at the Latest Practicable Date
“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PRC”	the People’s Republic of China
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the Rights Shares
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 6 March 2006
“Rights Issue”	the proposed issue of the Rights Shares on the basis of one Rights Share for every existing Share to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the Rights Issue Documents
“Rights Issue Documents”	this prospectus, the Provisional Allotment Letter and the Excess Application Form
“Rights Share(s)”	528,644,000 new Share(s) to be issued by the Company pursuant to the Rights Issue

DEFINITIONS

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 6 December 2005 pursuant to which the Company has agreed to acquire 70% interests in the ATM Companies, the details of which are set out in the Company’s announcement dated 6 December 2005
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company held on Monday, 6 March 2006 at which the Independent Shareholders approved the Rights Issue and the Whitewash Waiver
“Share(s)”	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Schemes”	the share option schemes adopted by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.10 per Rights Share
“Subscription Monies”	the subscription monies payable by the Underwriter to the Company in respect of the Rights Shares underwritten by the Underwriter
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Leading Value Industrial Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Sze Wai, Marco, an executive Director
“Underwriting Agreement”	the underwriting agreement dated 9 January 2006 entered into between the Company and the Underwriter in relation to the Rights Issue as varied and supplemented by a supplemental agreement dated 15 February 2006 made between the Company and the Underwriter regarding the changes to certain dates referred to therein

DEFINITIONS

“Whitewash Waiver”

a waiver from the obligation of the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the performance of its underwriting obligation of the Rights Shares pursuant to the Underwriting Agreement

“%”

per cent.

EXPECTED TIMETABLE

2006

Record Date	Monday, 6 March
Despatch of Rights Issue Documents	Tuesday, 7 March
Announcement of results of SGM	Tuesday, 7 March
Register of members re-opens	Tuesday, 7 March
First day of dealings in nil-paid Rights Shares	Thursday, 9 March
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Monday, 13 March
Last day of dealings in nil-paid Rights Shares	Thursday, 16 March
Latest time for acceptance of, and payment for the Rights Shares and application for excess Rights Shares (<i>Note 2</i>)	4:00 p.m., Tuesday, 21 March
Latest time for the Rights Issue to become unconditional	4:00 p.m., Thursday, 23 March
Announcement of results of acceptance of and excess applications for the Rights Shares appears on newspapers	Monday, 27 March
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	Monday, 27 March
Despatch of certificates for fully-paid Rights Shares on or before	Monday, 27 March
Commencement of dealings in fully-paid Rights Shares	Wednesday, 29 March

EXPECTED TIMETABLE

Notes:

1. All times and dates in this prospectus refer to Hong Kong local times and dates.
2. EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE TIME AND PAYMENT FOR RIGHTS SHARES

The Latest Acceptance Time and any payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above; or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the Latest Acceptance Time and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Latest Acceptance Date. Instead the Latest Acceptance Time and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Acceptance Time and payment for the Rights Shares do not take place on 21 March 2006, the dates mentioned in this section headed “Expected timetable” may be affected. A press announcement will be made by the Company in such event.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the paragraph headed “Termination of the Underwriting Agreement” in the section headed “Letter from the Board” in this prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

FinTronics

银创控股

FINTRONICS HOLDINGS COMPANY LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 706)

Executive Directors:

Sze Wai, Marco (*Chairman*)

Chu Chi Shing

Song Jing Sheng

Gu Peijian

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Wong Po Yan

Mao Zhenhua

Chong Yiu Kan, Sherman

Principal place of business

in Hong Kong:

Units 2003 and 2005

20th Floor

Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

7 March 2006

*To the Qualifying Shareholders and, for information only,
the Excluded Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF
528,644,000 RIGHTS SHARES
OF HK\$0.10 EACH AT HK\$0.10 PER RIGHTS SHARE
PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF ONE RIGHTS SHARE
FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE)**

INTRODUCTION

In the Announcement, the Board announced that the Company proposed to, among other matters, raise not less than approximately HK\$52.86 million before expenses by issuing not less than 528,644,000 Rights Shares and to raise not more than approximately HK\$63.43 million before expenses by issuing not more than 634,325,000 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of one Rights Share for every existing Share in issue on the Record Date.

LETTER FROM THE BOARD

On 17 February 2006, the Circular including details of, among other things, the Rights Issue and the Whitewash Waiver, was despatched to the Shareholders, a copy of which is available for inspection as set out in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. The Whitewash Waiver has been granted by the Executive (subject to, among other things, the Rights Issue being approved by the Independent Shareholders) and was approved by the Independent Shareholders by poll at the SGM. The resolution to approve the Rights Issue was also duly passed by the Independent Shareholders by poll at the SGM.

As at the Record Date, there were 528,644,000 Shares in issue. Accordingly, 528,644,000 Rights Shares will be issued under the Rights Issue.

The primary purpose of this prospectus is to provide you with further details of the Rights Issue, including information on dealings in, transfers and acceptances of the Rights Shares, and certain financial and other financial information in respect of the Group.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	One Rights Share for every existing Share held on the Record Date
Number of existing Shares in issue:	528,644,000 Shares as at the Record Date
Number of Rights Shares:	528,644,000 Rights Shares

The nil-paid Rights Shares to be provisionally allotted pursuant to the terms of the Rights Issue represents 100% of the Company's existing issued share capital and 50% of the Company's enlarged issued share capital of the Company immediately following the completion of the Rights Issue.

From the date of the Announcement up to (and including) the Record Date, none of the Outstanding Options and Outstanding Warrants had been exercised. Other than the Outstanding Options and the Outstanding Warrants, the Company had no derivatives, options, warrants and conversion rights or other similar rights which would be convertible or exchangeable into Shares as at the Latest Practicable Date. As announced in the Company's announcement dated 6 December 2005, the Company has also agreed to issue 100,000,000 Shares to the vendor of the ATM Companies as part of the consideration for the acquisition of the ATM Companies upon completion of the Sale and Purchase Agreement. Completion of the Sale and Purchase Agreement will not be affected by the Rights Issue. It is expected that the completion of the Sale and Purchase Agreement will take place after the completion of the Rights Issue.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price:

- represented a discount of approximately 55.6% to the closing price of HK\$0.225 per Share as quoted on the Stock Exchange on the Last Trading Date;
- represented a discount of approximately 49.7% to the average closing price of approximately HK\$0.199 per Share for the five consecutive trading days up to and including the Last Trading Date;
- represented a discount of approximately 40.5% to the average closing price of approximately HK\$0.168 per Share for the 10 consecutive trading days up to and including the Last Trading Date;
- represented a discount of approximately 38.7% to the theoretical ex-rights price of HK\$0.163 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date;
- represented a discount of approximately 83.6% to the unaudited net tangible assets value per Share of approximately HK\$0.61 (calculated by dividing the latest published unaudited net tangible assets value of the Group as at 30 June 2005 by the 528,644,000 Shares in issue as at 30 June 2005); and
- represented a discount of approximately 45.7% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing market price of the Shares and the recent financial conditions of the Group. In view of the recent financial conditions of the Group and taking the theoretical ex-rights price per Share into consideration, in order to increase the attractiveness of the Rights Issue to Qualifying Shareholders, the Directors consider that the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but preference will be given to applications for less than one board lot of Shares where it appears to the Directors that such application have been made to round up a holding of an odd lot of Shares.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the names of nominee companies should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually.

The Latest Acceptance Time and the payment for the Rights Shares is expected to be at 4:00 p.m. on Tuesday, 21 March 2006, or such later date as may be agreed between the Company and the Underwriter.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, every Qualifying Shareholder will receive one certificate for all the fully-paid Rights Shares and such certificates are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by Monday, 27 March 2006 at their own risk.

Qualifying Shareholders

The Rights Issue Documents are sent to the Qualifying Shareholders; and this prospectus is sent, for information only, to the Excluded Shareholders.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company on the Record Date and the holders of the Outstanding Options and the Outstanding Warrants (i) must exercise their respective subscription rights in accordance

LETTER FROM THE BOARD

with the relevant procedures specified in the rules of the Share Option Schemes (as regards the holders of the Outstanding Options) or the conditions of the Outstanding Warrants (as regards the holders of the Outstanding Warrants) on or before Monday, 20 February 2006; (ii) must be registered as the holders of the Shares allotted pursuant to the exercise of the subscription rights thereof on or before the Record Date; and (iii) must not be an Excluded Shareholder.

Excluded Shareholders

As at the Record Date, the Company did not have any Overseas Shareholder.

In the event that there being any Overseas Shareholders appearing on the register of members of the Company as at the Record Date, the Company will consider the rights of the Overseas Shareholders and the relevant arrangements in respect of the Rights Issue for them, including whether it is feasible to extend the Rights Issue to such Shareholders. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders, being the Excluded Shareholders. Excluded Shareholders will only be sent printed copies of this prospectus for their information.

The Rights Issue Documents have not been and are not intended to be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Overseas Shareholders may not be eligible to take part in the Rights Issue.

Shareholders should note that in the event that there is/are any Excluded Shareholders on the Record Date, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

Share Option Schemes

As at the Record Date, there were 15,681,000 outstanding share options granted pursuant to the Share Option Schemes. Pursuant to the terms of the Share Option Schemes, adjustments to the outstanding share options may be made upon the Rights Issue becoming unconditional. The Company will announce further details on such adjustment (if any) in its announcement on the results of acceptance of the Rights Shares.

LETTER FROM THE BOARD

Listing and dealings

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 10,000 (same as the board lot size of the Shares as traded on the Stock Exchange after the change in the board lot size of the Shares from 2,000 Shares to 10,000 Shares with effect from 17 January 2006). Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Wednesday, 29 March 2006.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasized that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue and the Whitewash Waiver together with proxy form and notice of SGM;

LETTER FROM THE BOARD

- (2) the passing by the Independent Shareholders at the SGM by way of poll of an ordinary resolution to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders) by no later than the date on which the Prospectus is despatched to the Qualifying Shareholders;
- (3) the passing by the Independent Shareholders at the SGM by way of poll of an ordinary resolution to approve the Whitewash Waiver by no later than the date on which the Prospectus is despatched to the Qualifying Shareholders;
- (4) the Executive granting the Whitewash Waiver to the Underwriter and parties acting in concert with it (as defined in the Takeovers Code) and the satisfaction of any condition attached to the Whitewash Waiver granted;
- (5) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);
- (6) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance;
- (7) the Bermuda Monetary Authority granting consent to (if required) the issue of the Rights Shares;
- (8) the posting of the Rights Issue Documents to Qualifying Shareholders; and
- (9) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement.

If any of the conditions of the Rights Issue are not fulfilled and/or waived by 4:00 p.m. on Thursday, 23 March 2006, being the second Business Day after the Latest Acceptance Time, (or such later time and/or date as the Company and the Underwriter may determine), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Neither the Company nor the Underwriter may waive any of the conditions (1) to (8) above.

Reasons for the Rights Issue and the use of proceeds

The Group is principally engaged in the provision of software development and systems integration services.

LETTER FROM THE BOARD

As announced in the Company's announcement dated 6 December 2005, the Company planned to expand its business to the financial sector in the PRC by acquiring the remaining stake of the ATM Companies, which it currently has a 30% interests and are principally engaged in the provision to the financial institutions of maintenance and technical support services for the automatic teller machines and the development of value-added services for the automatic teller machines (such as utility payment and sale of air and train tickets by automatic teller machines). According to the Company's circular dated 30 December 2005, following the completion of the Sale and Purchase Agreement, the Group will provide additional working capital for the daily operation requirement of the ATM businesses from its internal resources.

As stated in the section headed "Business and future prospects" below, the Directors are optimistic about the growing demand for automatic teller machine transactions and therefore believe that business of the ATM Companies has huge market potential. As a result, after the Group has acquired the remaining 70% interest in the ATM Companies, the Group plans to further develop and expand the business operation of the ATM Companies and to purchase and install additional automatic teller machines in various provinces and cities in the PRC. In this connection, to improve the shareholders' equity position of the Group and provide working capital for the Group's operation, in particular, the aforesaid expansion plan of the ATM Companies when they become wholly owned subsidiaries of the Company after completion of the Sale and Purchase Agreement, the Company proposes to raise approximately HK\$52.86 million before expenses by issuing the Rights Shares. Upon the full subscription of the Rights Shares, the Company will receive approximately not less than HK\$51 million by way of subscription proceeds net of underwriting commission, professional and other expenses incurred in connection with the Rights Issue. The Directors intend to use the net proceeds of the Rights Issue of approximately HK\$51 million as general working capital of the Group in particular, for the ATM Companies which will become wholly owned subsidiaries of the Company after completion of the Sale and Purchase Agreement. It is the Group's plan to use not less than HK\$38 million to purchase and install automatic teller machines in the PRC and to use about HK\$13 million for the general working capital to finance the expansion of the operations of the ATM Companies. Completion of the Sale and Purchase Agreement may or may not take place. In the event that the completion of the Sale and Purchase Agreement did not take place, the proceeds from the Rights Issue would be applied as the general working capital of the Group.

The Directors consider that it is in the best interest of the Company and the Shareholders to raise further capital as general working capital which will be used by the Company to support the Group's business and operation, and the Rights Issue will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

The Directors have considered other alternative means of financing other than the Rights Issues, including bank borrowings and issue of convertible notes. In this regard, the Company has had preliminary discussions with a financial institution for the possibility of a syndicated loan in 2005 and due to commercial reasons, the negotiation between the parties was subsequently terminated. However, the Directors believe that, given the present

LETTER FROM THE BOARD

financial position of the Group and the current rising interest rate environment, it is not favourable for the Group to raise funds through bank borrowings. On the other hand, the Directors consider that the issue of convertible notes may not be appropriate as it would increase the Group's interest burden and gearing ratio.

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of the Announcement.

PROCEDURE FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A Provisional Allotment Letter which entitles the Qualifying Shareholders to take up the number of the Rights Shares shown therein is enclosed with this prospectus. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the Provisional Allotment Letter, the Qualifying Shareholders must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the branch share registrar of the Company in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Tuesday, 21 March 2006. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "FINTRONICS HOLDINGS COMPANY LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the branch share registrar of the Company in Hong Kong, Tengis Limited, by no later than 4:00 p.m. on Tuesday, 21 March 2006, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The Provisional Allotment Letter contains full information regarding the procedures to be followed. If the Qualifying Shareholders wish to accept only part of the provisional allotment or wish to transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them thereunder or to transfer the rights to more than one person, the entire Provisional Allotment Letter must be surrendered by no later than 4:00 p.m. on Monday, 13 March 2006 to the branch share registrar of the Company in Hong Kong which will cancel the entire Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required.

All cheques and cashier's orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any Provisional Allotment Letter in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlement given pursuant to which will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

APPLICATION FOR EXCESS RIGHTS SHARES

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to those provisionally allotted to him/her/it, the Qualifying Shareholder should complete and sign the Excess Application Form as enclosed with this prospectus as indicated thereon and lodge it, together with separate remittance for the amount payable on application in respect of the excess Rights Shares applied for with the branch share registrar of the Company in Hong Kong, Tengis Limited, so as to be received by no later than 4:00 p.m. on Tuesday, 21 March 2006. All remittances must be in Hong Kong dollars. Cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "FINTRONICS HOLDINGS COMPANY LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". No receipt will be given for such remittances.

The Board will allocate the excess Rights Shares at its sole discretion but on a fair and equitable basis but preference will be given to applications for less than one board lot of Shares where it appears to the Directors that such application have been made to round up a holding of an odd lot of Shares.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date	:	9 January 2006
Underwriter	:	the Underwriter, a company wholly and beneficially owned by Mr. Sze Wai, Marco, an executive Director
Number of Shares Underwritten	:	396,209,047 Rights Shares (<i>Note</i>)
Commission	:	1.5% of the total Subscription Price of the Rights Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be approximately HK\$0.59 million. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors (including the independent non-executive Directors) consider that such amount is on normal commercial terms and is comparable with market rate.

Note: This figure excludes 132,434,953 Rights Shares to be provisionally allotted to the Underwriter in respect of its beneficial shareholding, which it has undertaken to subscribe for in full (assuming that no Outstanding Options granted and Outstanding Warrants issued by the Company were exercised on or before the Record Date).

LETTER FROM THE BOARD

Pursuant to the Underwriting Agreement, the Underwriter has undertaken that it will accept on or before the Latest Acceptance Time, and pay for, such number of Rights Shares to be provisionally allotted to the Underwriter or its nominee pursuant to the Rights Issue in respect of its or its nominee's existing holding of 132,434,953 Shares.

The entering into of the Underwriting Agreement by the Company with the Underwriter constitutes a connected transaction of the Company under the Listing Rules but is exempted from the reporting, announcement and independent shareholders' requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules.

Under the terms of the Underwriting Agreement, the Company and the Underwriter agreed that if the conditions of the Rights Issue are fulfilled on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, the Underwriter shall subscribe for those Rights Shares which have not been taken up by other Qualifying Shareholders on or before the Latest Acceptance Date by 4:00 p.m. on the second Business Day after the Latest Acceptance Date and to pay the relevant Subscription Monies not later than 4:00 p.m. on the fourth Business Day after the Latest Acceptance Time.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events. The Underwriter may terminate its commitment under the Underwriting Agreement on or before 4:00 p.m. on the second Business Day after the Latest Acceptance Date if:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

LETTER FROM THE BOARD

- (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (iv) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the Circular or this prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs (other than out-of-pocket expenses incurred), damages, compensation or otherwise and the Rights Issue will not proceed.

On 15 February 2006, the Company and the Underwriter entered into a supplemental agreement to vary certain dates in connection with the Rights Issue. The revised timetable for the Rights Issue is set out in the section headed "Expected timetable" in this prospectus.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis from Tuesday, 28 February 2006. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 9 March 2006 to Thursday, 16 March 2006 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before Thursday, 23 March 2006 (or such later time and/or date as the Company and the Underwriter may determine), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

LETTER FROM THE BOARD

Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Thursday, 9 March 2006 to Thursday, 16 March 2006 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

The table below sets out the changes in shareholding structure of the Company arising from the Rights Issue:

	Existing shareholding structure as at the Latest Practicable Date		Immediately after the Rights Issue and if all Shareholders take up their respective provisional allotments of the Rights Shares in full		Immediately after the Rights Issue and if the Underwriter is required to take up all Rights Shares underwritten pursuant to the Underwriting Agreement		Immediately after the Rights Issue and if the Underwriter is required to take up all Rights Shares underwritten pursuant to the Underwriting Agreement (assuming all of the Outstanding Options and Outstanding Warrants are exercised on or before the Record Date)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Underwriter, its associates and parties acting in concert with it	132,434,953	25.05	264,869,906	25.05	661,078,953	62.53	770,259,953 (Note 1)	60.72
Other Directors								
Gu Peijian	540,000	0.10	1,080,000	0.10	540,000	0.05	540,000	0.04
Song Jing Sheng	18,900,000	3.58	37,800,000	3.58	18,900,000	1.79	24,900,000 (Note 2)	1.96
Chu Chi Shing	-	-	-	-	-	-	2,500,000 (Note 3)	0.20
Other public Shareholders	376,769,047	71.27	753,538,094	71.27	376,769,047	35.63	376,769,047	29.70
Other holders of the Outstanding Options and Outstanding Warrants	-	-	-	-	-	-	93,681,000	7.38
Total	<u>528,644,000</u>	<u>100.00</u>	<u>1,057,288,000</u>	<u>100.00</u>	<u>1,057,288,000</u>	<u>100.00</u>	<u>1,268,650,000</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. On the assumption that Mr. Sze Wai, Marco, the sole shareholder of the Underwriter and an executive Director, has exercised his Outstanding Options to subscribe for 3,500,000 Shares before the Record Date. Mr. Sze Wai, Marco is a party acting in concert with the Underwriter.
2. On the assumption that Mr. Song Jing Sheng, an executive Director, has exercised his Outstanding Warrants to subscribe for 6,000,000 Shares before the Record Date.
3. On the assumption that Mr. Chu Chi Shing, an executive Director, has exercised his Outstanding Options to subscribe for 2,500,000 Shares before the Record Date.

BUSINESS AND FUTURE PROSPECTS

Following the disposal of the three companies principally engaged in the manufacture of plastic casings for computer related products as referred to in the Company's circular dated 23 June 2005, the Group has been principally engaged in the software development and system integration services and the sale of integrated circuits and computer software businesses. During the financial year ended 31 December 2005, the Group has continued to develop social security projects and enhance the technology supports to its subsidiaries.

In May 2005, the Group has acquired 30% interests in Loten Technology, a company which is principally engaged in the provision to the financial institutions of maintenance and technical support services for the automatic teller machines and the development of value-added services for the automatic teller machines (such as utility payment and sale of air and train tickets by automatic teller machines) at an aggregate consideration of RMB50,000,000 (subject to adjustment which was satisfied by the Group in cash). Following such acquisition, the Group has been preparing itself to enter into the finance e-payment service market in the PRC. Subsequently, as announced in the Company's announcement dated 6 December 2005, the Company has entered into the Sale and Purchase Agreement to acquire the remaining stake of the ATM Companies at a consideration of RMB144,000,000 (subject to adjustment). The consideration is comprised of a cash portion of RMB114,000,000 and a portion of RMB30,000,000 which will be satisfied by the allotment and issue of 100,000,000 Shares to the vendor. The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the acquisition of the ATM Companies.

Currently, the ATM Companies have installed 104 automatic teller machines in Shenyang, the PRC. All automatic teller machines will remain the properties of the ATM Companies during the period of the co-operative contracts even though the machines are installed at places as may be agreed between China UnionPay, the ATM Companies and their customers. After the Group has acquired the remaining 70% interest in the ATM Companies, the Group plans to further develop and expand the business operation of the ATM Companies and to purchase and install more automatic teller machines in various provinces and cities in the PRC. Pursuant to the existing 19 cooperation contracts made by the ATM Companies with various financial institutions in the PRC, the ATM Companies are responsible for, among other responsibilities, the installation of the automatic teller machines, the provision of maintenance and technical support services for the automatic

LETTER FROM THE BOARD

teller machines and the development of value-added services for the automatic teller machines. The automatic teller machines shall be installed at such places with satisfactory pedestrian flow as may be agreed between the relevant branch of China UnionPay, the commercial bank concerned and the ATM Companies. Commercial banks may purchase and operate the machines by themselves or they can choose to co-operate with other service providers, such as the ATM Companies, for the installation, operation and maintenance of the automatic teller machines. To the best knowledge of the Directors, they are not aware of any public information regarding the ratio between rented and self-owned automatic teller machines among the commercial banks. However, the Directors consider that the business model of the ATM Companies should be attractive to the commercial banks.

As at the Latest Practicable Date, the ATM Companies had entered into long-term co-operative contracts with branches of China UnionPay to operate automatic teller machines in 11 regions covered by China UnionPay in the PRC. Although the agreements entered into between China UnionPay and the ATM Companies in the abovementioned 11 regions are not exclusive, the Directors are not aware of any other operators in the PRC had entered into such co-operative agreements with China UnionPay for the provision of services which were similar to the ATM Companies. So far as the Directors are aware, the processing of all the ATM transactions in the PRC has to be endorsed by China UnionPay.

The performance and operation of the ATM Companies are dependent on the number of automatic teller machines installed and the number of transactions handled by such automatic teller machines. According to a report provided by Retail Banking Research, in 2004, the number of automatic teller machines serving one million of citizens in the PRC was 48 while that of Hong Kong was 429. In view of the above, the Directors are optimistic about the growing demand for automatic teller machine transactions and therefore believe that business of the ATM Companies has huge market potential in the PRC.

In order to capture the growing demand for automatic teller machine transactions, the Directors intend to use the net proceeds of the Rights Issue of approximately HK\$51 million as general working of the Group to support the working capital needs of the Group, in particular, the ATM Companies after the Group has acquired the remaining 70% interest in the ATM Companies.

The Group will continue to reorganise its existing businesses by means of strategic resources allocation and will concentrate its resources on its finance e-payment business development in the future. Should the expansion of the Group's e-payment-business in the future require additional working capital, the Group may consider raise such required working capital by way of bank borrowing or further equity fund raising exercise or a combination of both.

A summary of the audited consolidated results of the Company for each of the past three years ended 31 December 2004 is contained in Appendix I to this prospectus.

LETTER FROM THE BOARD

The Directors have been informed by the Underwriter that it has no intention to make any changes to the Board, the continuation of the Group's existing businesses or the deployment of fixed assets, while continuing the ongoing human resources strategy of the Group to regularly assess the qualification of the existing employees based on which recruitment of new employees, reassignment of job duties of existing employees and/or dismissal of existing employees with unsatisfactory performance or qualification may be undertaken. The reasons for the Rights Issue are set out in the paragraph headed "Reasons for the Rights Issue and the use of proceeds" above.

MAINTENANCE OF PUBLIC FLOAT

It is expected that immediately following the completion of the Rights Issue, there will be more than 25% of the Shares held by the public. However, the Stock Exchange has stated that if, at the date of completion of the Rights Issue, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading in the Shares; or
- there are too few Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,
For and on behalf of the Board
FinTronics Holdings Company Limited
Sze Wai, Marco
Chairman

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following financial information (the “Financial Information”) has been prepared by the Directors based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2002, 2003 and 2004 and on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2005 prepared in accordance with accounting principles generally accepted in Hong Kong (“HKGAAP”) and the disclosure provisions of the Listing Rules. KPMG, the auditors of the Company, expressed unqualified opinions on the financial statements of the Company for each of the three years ended 31 December 2002, 2003 and 2004. During the three years ended 31 December 2004 and the six months ended 30 June 2005, there was no extraordinary or exceptional item affecting the financial statements of the Group and no dividend had been declared or paid.

A. FINANCIAL INFORMATION

1. Consolidated Income Statements

	<i>Section B Note</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2 & 13	637,389	154,882	291,041
Cost of sales		<u>(546,248)</u>	<u>(125,718)</u>	<u>(237,697)</u>
		91,141	29,164	53,344
Other revenue	4	11,005	7,684	7,224
Other net income/(loss)	5	533	7,635	(3,311)
Selling and distribution expenses		(30,941)	(6,370)	(7,198)
Administrative expenses		(47,558)	(34,081)	(38,297)
Other operating expenses		(11,871)	(284)	(1,000)
Profit on disposal of discontinued operation	3	4,987	–	–
(Deficit)/surplus on property revaluation	14(d)	<u>(3,517)</u>	<u>154</u>	<u>2,350</u>
Profit from operations		13,779	3,902	13,112
Finance costs	6(a)	(4,463)	(497)	(2,263)
Non-operating income	6(d)	–	–	11,886
Non-operating expenses	6(e)	–	(6,509)	–
Share of profits less losses of jointly controlled entities		4,557	1,528	–
Share of losses of associates		–	–	(8,543)
Profit/(loss) from ordinary activities before taxation	6	13,873	(1,576)	14,192
Income tax	7(a)	<u>(6,236)</u>	<u>(3,096)</u>	<u>(2,760)</u>
Profit/(loss) from ordinary activities after taxation		7,637	(4,672)	11,432
Minority interests		<u>(18,585)</u>	<u>(5,436)</u>	<u>(3,378)</u>
(Loss)/profit attributable to shareholders	10	<u>(10,948)</u>	<u>(10,108)</u>	<u>8,054</u>
Basic (loss)/earnings per share (cents)	12	<u>(2.5) cents</u>	<u>(2.3) cents</u>	<u>1.6 cents</u>

2. Consolidated Balance Sheets

	<i>Section B Note</i>	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Non-current assets				
Fixed assets				
– Investment properties		3,950	3,950	6,300
– Property, plant and equipment		38,114	39,657	73,186
	14(a)	42,064	43,607	79,486
Construction in progress	16	–	1,969	11,330
Intangible assets	17	1,320	872	1,157
Interest in jointly controlled entities	18	12,296	23,080	–
Interest in associates	18	–	–	15,715
Investment funds	19	16,956	19,336	33,486
Pledged deposits	26	17,516	17,516	17,516
Deferred tax assets	29(b)	–	121	137
		90,152	106,501	158,827
Current assets				
Inventories	20	23,027	23,957	27,714
Trade and other receivables	21	134,594	106,860	170,901
Trading securities	22	19,168	–	–
Deposits with bank		126,228	126,228	126,228
Cash and cash equivalents	24	17,156	49,689	74,391
		320,173	306,734	399,234
Current liabilities				
Trade and other payables	25	72,927	84,378	112,569
Loans and overdraft	26	7,784	6,875	67,791
Current taxation	29(a)	1,371	1,065	1,439
		82,082	92,318	181,799
Net current assets		238,091	214,416	217,435
Total assets less current liabilities		328,243	320,917	376,262
Non-current liabilities				
Deferred tax liabilities	29(b)	605	1,642	3,427
Minority interests		17,985	19,723	32,811
NET ASSETS		309,653	299,552	340,024
CAPITAL AND RESERVES				
Share capital	30	44,064	44,064	52,864
Reserves	31(a)	265,589	255,488	287,160
		309,653	299,552	340,024

3. Balance Sheets

	<i>Section B Note</i>	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Non-current assets				
Fixed assets				
– Property, plant and equipment	14(b)	5,918	4,039	2,718
Interest in subsidiaries	15	251,234	234,126	207,785
		<u>257,152</u>	<u>238,165</u>	<u>210,503</u>
Current assets				
Trade and other receivables	21	7,665	5,864	9,990
Cash and cash equivalents	24	357	109	30
		<u>8,022</u>	<u>5,973</u>	<u>10,020</u>
Current liabilities				
Trade and other payables	25	3,652	8,062	5,444
Other loan	26	–	–	1,100
		<u>3,652</u>	<u>8,062</u>	<u>6,544</u>
Net current assets/(liabilities)		<u>4,370</u>	<u>(2,089)</u>	<u>3,476</u>
NET ASSETS		<u>261,522</u>	<u>236,076</u>	<u>213,979</u>
CAPITAL AND RESERVES				
Share capital	30	44,064	44,064	52,864
Reserves	31(b)	217,458	192,012	161,115
		<u>261,522</u>	<u>236,076</u>	<u>213,979</u>

4. Consolidated Statements of Changes in Equity

	<i>Section B Note</i>	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Shareholders' equity at 1 January		320,603	309,653	299,552
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	31(a)	(2)	7	(6)
Surplus on revaluation of buildings held for own use	31(a)	–	–	3,004
Deferred tax liability arising from revaluation	31(a)	–	–	(526)
Net (loss)/gain not recognised in the consolidated income statements		(2)	7	2,472
Net (loss)/profit for the year	31(a)	(10,948)	(10,108)	8,054
Movements in share capital:				
Placing of new shares	30	–	–	8,800
Net share premium received from the placing of shares	31(a)	–	–	21,146
Net increase in shareholders' equity arising from capital transactions with shareholders		–	–	29,946
Shareholders' equity at 31 December		309,653	299,552	340,024

5. Consolidated Cash Flow Statements

	<i>Section B Note</i>	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Operating activities				
Profit/(loss) from ordinary activities before taxation		13,873	(1,576)	14,192
Adjustments for:				
Interest income		(4,766)	(3,833)	(3,308)
Dividend income from unlisted investments		(566)	–	–
Dividend income from trading securities		–	(752)	–
Guaranteed investment return		–	(426)	–
Interest expense		1,598	324	1,909
Depreciation		6,455	6,483	9,316
Share of losses of associates		–	–	8,543
Share of profits less losses of jointly controlled entities		(4,557)	(1,528)	–
Amortisation of intangible assets		588	448	657
Impairment loss on intangible assets		705	–	–
Loss on disposal of fixed assets		931	3	144
Deemed loss on partial disposal of subsidiaries		–	–	3,311
Profit on disposal of subsidiaries		(4,987)	–	–
Profit on disposal of unlisted investments		(1,947)	–	–
Excess in the interest in fair value of the net identifiable assets acquired over the cost of acquisition		–	–	(11,886)
Provision for bad and doubtful debts		6,535	–	–
Provision for loans receivable		2,747	283	–
Provision for obsolete inventories		5,263	–	–
Deficit/(surplus) on property revaluation		3,517	(154)	(2,350)
Compensation of guarantee profit by minority shareholder		(3,057)	–	–
Profit on disposal of trading securities		–	(7,635)	–
Unrealised loss on trading securities carried at fair value		1,414	–	–
Provision for alleged claims in relation to a software copyright dispute		–	–	1,000
Professional fees written off in respect of rights issue and major transaction		–	6,509	–
Operating profit/(loss) before changes in working capital		23,746	(1,854)	21,528
Increase in inventories		(26,615)	(919)	(3,757)
Increase in accounts receivable		(66,173)	(13,546)	(69,167)
(Increase)/decrease in bills receivable		–	(94)	75
(Increase)/decrease in retentions receivable from customers		(17,035)	15,456	(143)
Decrease/(increase) in gross amount due from customers for contract work		7,339	1,018	(3,011)
(Increase)/decrease in prepayments, deposits and other receivables		(23,955)	2,477	(7,350)
(Decrease)/increase in accounts payable		(775)	13,556	27,400
(Decrease)/increase in bills payable		(3,677)	2,803	330
Increase/(decrease) in gross amount due to customers for contract work		3,317	(1,933)	2,444
(Decrease)/increase in receipts in advance		(27,001)	(129)	33
Increase/(decrease) in other payables and accrued liabilities		105,934	(7,201)	(2,224)
Cash (used in)/generated from operations		(24,895)	9,634	(33,842)

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

	<i>Section B Note</i>	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Tax paid				
Hong Kong Profits Tax paid		–	–	(37)
PRC income tax paid		(2,226)	(2,282)	(1,106)
Net cash (used in)/generated from operating activities		(27,121)	7,352	(34,985)
Investing activities				
Payment for purchase of additional interest in a subsidiary		(697)	–	–
Acquisitions of subsidiaries in 2003, net of cash acquired	32(a)	–	(1,469)	(1,054)
Acquisition of a subsidiary in 2004, net of cash acquired	32(a)	–	–	(11,390)
Payment on behalf of a minority shareholder of a subsidiary on an acquisition		–	–	(1,030)
Proceeds on disposal of subsidiaries, net of cash disposed of	32(b)	(54,787)	29,227	–
Proceeds on disposal of unlisted investments		6,598	–	–
Capital injection to an associate		–	–	(1,178)
Capital injection to a jointly controlled entity		–	(9,460)	–
Payments for purchases of fixed assets		(13,340)	(7,841)	(9,363)
Payments for construction in progress		–	(1,969)	(9,361)
Proceeds from sales of fixed assets		96	2	100
Payments for purchases of intangible assets		(1,343)	–	(942)
Payments for purchases of trading securities		(20,582)	–	–
Proceeds on disposal of trading securities		–	26,803	–
Payments of investment funds		(16,956)	(19,336)	(14,150)
Repayments of investment funds		–	16,956	–
Repayments of loans receivable		24,846	46,665	44,613
Advances of loans		(36,675)	(50,596)	(28,852)
Capital injection from minority shareholder to a subsidiary		–	786	2,235
Interest received		3,847	3,806	3,308
Dividend received from trading securities		–	752	–
Dividend received from unlisted investments		566	–	–
Guaranteed investment return		–	426	–
Professional fees written off in respect of rights issue and major transaction		–	(3,861)	–
Net cash (used in)/generated from investing activities		(108,427)	30,891	(27,064)

	<i>Section B</i>	2002	2003	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing activities				
Proceeds from share issuance		–	–	30,800
Share issuance expenses paid		–	–	(854)
Release of pledged deposits		6,091	–	–
Repayments of bank loans		(43,116)	(4,710)	(21,125)
Proceeds from new bank loans		96,230	3,768	62,013
Proceeds from other loans		–	–	1,250
Dividends paid to minority shareholders		(2,122)	(4,484)	(2,196)
Interest paid		(1,598)	(324)	(1,909)
		<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in)				
 financing activities		<u>55,485</u>	<u>(5,750)</u>	<u>67,979</u>
Net (decrease)/increase in cash and				
 cash equivalents		(80,063)	32,493	5,930
Effect of foreign exchange rates changes		(3)	7	(6)
Cash and cash equivalents at				
 1 January		<u>96,032</u>	<u>15,966</u>	<u>48,466</u>
Cash and cash equivalents at				
 31 December	24	<u>15,966</u>	<u>48,466</u>	<u>54,390</u>

B. NOTES ON THE FINANCIAL INFORMATION**1. SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation

The measurement basis used in the preparation of the Financial Information is historical cost modified by the revaluation of investment properties and land and buildings held for own use, and the marking to market of certain investment securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is a company in which the Group, 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 Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the Financial Information, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders’ equity. Minority interests in the results of the Group for the year are also separately presented in the income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group’s interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority’s shares of losses previously absorbed by the Group has been recovered.

In the Company’s balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and reporting policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

(e) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

For subsidiaries, goodwill is stated in the consolidated balance sheet at cost less any impairment losses (see note 1(k)). For associates and jointly controlled subsidiaries, the costs of goodwill less any impairment losses (see note 1(k)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Goodwill is carried at cost less accumulated impairment losses and tested for impairment annually, as well as when there are indications of impairment.

The excess in the interest in fair value of the net identifiable assets acquired over the cost of acquisition is recognised immediately in the consolidated income statement upon acquisition.

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries, associates and jointly controlled entities are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as "Investments". Investments are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

- (ii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.
 - (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.
- (g) **Fixed assets**
- (i) Fixed assets are carried in the balance sheets on the following bases:
 - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
 - land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 1(j)). Revaluations are performed by qualified valuers or at directors' valuation with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and
 - plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(j)) and impairment losses (see note 1(k)).
 - (ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:
 - when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.
 - (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
 - (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained earnings.

(h) Intangible assets (other than goodwill)

- (i) Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation (see note 1(j)) and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

- (ii) Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (see note 1(j)) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.
- (iii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(i) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) *Assets held for use in operating leases*

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(r)(iv).

(ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(j) Amortisation and depreciation

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years.
- (ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives, after taking into account their estimated residual values, as follows:
- land and buildings held for own use are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and

- other fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values, as follows:

Leasehold improvements	5 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	3 to 8 years

- (iii) Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives of three years.

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant, machinery and other fixed assets (other than properties carried at revalued amounts);
- investment in subsidiaries, associates and jointly controlled entities (except for those accounted for at fair value under notes 1(c) & (d));
- intangible assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or have an indefinite useful life and goodwill, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised 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 realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Systems integration contracts

The accounting policy for contract revenue of software development and systems integration services is set out in note 1(r)(i). When the outcome of a systems integration contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a systems integration contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Systems integration contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Accounts receivable”. Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Receipts in advance”.

(n) Cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(o) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other defined contribution schemes are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.
- (iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(p) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

- (ii) 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.
- (iii) 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 utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of goodwill, goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation 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.

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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
 - in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Software development and systems integration services

Revenue arising from the provision of software development and systems integration services is recognised when services are rendered, which are estimated by apportionment over the expected duration of each job and the outcome of the contracts can be assured with reasonable certainty. Revenue excludes value-added tax and is after deduction of any trade discounts.

(ii) Sale of goods

Revenue arising from sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term.

(v) Government grants

Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of enterprises outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of an enterprise outside Hong Kong, the cumulative amount of the exchange differences which relate to such enterprise is included in the calculation of the profit or loss on disposal.

(t) Bad and doubtful debts

Accounts receivable are shown net of provision for bad and doubtful debts. Specific provision is made for accounts receivable as and when they are considered doubtful by the directors.

(u) Related parties

For the purposes of these Financial Information, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(v) 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 internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these Financial Information.

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. 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 period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

2. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 15 on the Financial Information.

Turnover represents income arising from the net invoiced value of goods sold after allowances for goods returned, trade discount and value-added tax, provision of software development and systems integration services and systems value-added services and excludes intra-group transactions. The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
<i>Continuing operations</i>			
Manufacture and sale of computer related products	52,970	124,822	142,509
Software development and systems integration services	61,660	30,060	55,247
Sale of integrated circuits and computer software	–	–	93,285
	<u>114,630</u>	<u>154,882</u>	<u>291,041</u>
<i>Discontinued operations</i>			
Systems value-added services	522,759	–	–
	<u>637,389</u>	<u>154,882</u>	<u>291,041</u>

3. DISCONTINUED OPERATION

On 18 May 2002, the Group entered into agreements to dispose of its entire interest, being 40% shareholdings, in the subsidiaries comprising the systems value-added services business segment (note 13) for cash consideration of approximately HK\$72,129,000 (the "Disposal"). The Disposal was completed on 5 July 2002 and a profit on disposal of approximately HK\$4,987,000 was recognised during the financial year ended 31 December 2002. (note 32(b)).

The operating results attributable to the discontinued operation for the year ended 31 December 2002 is as follows:

	2002 HK\$'000
Turnover	522,759
Cost of sales	<u>(460,796)</u>
	61,963
Profit on disposal of discontinued operation	4,987
Other revenue	2,491
Selling and distribution expenses	(26,394)
Administrative expenses	(8,626)
Other operating expenses	<u>(2,029)</u>
Profit from operations	32,392
Finance costs	<u>(3,939)</u>
Profit from ordinary activities before taxation	28,453
Income tax	<u>(3,893)</u>
Profit from ordinary activities after taxation	<u>24,560</u>

4. OTHER REVENUE

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Interest income	4,766	3,833	3,308
Marketing fee	1,004	–	–
Compensation of guarantee profit by minority shareholder	3,057	–	–
Value added tax (“VAT”) refund (<i>note i</i>)	–	1,287	1,545
Rental income from investment properties	314	292	556
Government grants (<i>note ii</i>)	–	–	669
Dividend from unlisted investments	566	–	–
Dividend income from listed investment	–	752	–
Guaranteed investment return	–	426	–
Others	1,298	1,094	1,146
	<u>11,005</u>	<u>7,684</u>	<u>7,224</u>

Notes:

- (i) Pursuant to the relevant approval document issued by the tax authorities in the People’s Republic of China (“PRC”), subsidiaries of the Group operated in the PRC are entitled to a refund of VAT on the sales of self-developed software. The VAT refund represents the amount of VAT paid in excess of 3% of income generated from the sales of self-developed software. The amount of VAT refund is recognised as other revenue when the refund is approved by the relevant tax authorities.
- (ii) During the year ended 31 December 2004, the Group was granted certain financial supports from the PRC government authorities to encourage innovation in software development.

5. OTHER NET INCOME/(LOSS)

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Profit on disposal of unlisted investments	1,947	–	–
Unrealised loss on trading securities carried at fair value	(1,414)	–	–
Deemed loss on partial disposal of subsidiaries	–	–	(3,311)
Profit on disposal of trading securities	–	7,635	–
	<u>533</u>	<u>7,635</u>	<u>(3,311)</u>

6. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
(a) Finance costs:			
Interest expense on bank loans and other borrowings wholly repayable within five years	1,598	324	1,909
Other borrowing costs	2,865	173	354
	<u>4,463</u>	<u>497</u>	<u>2,263</u>

(b) Staff costs:

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Contributions to defined contribution schemes	1,284	1,226	1,197
Salaries, wages and other benefits	33,423	25,505	28,685
	<u>34,707</u>	<u>26,731</u>	<u>29,882</u>

(c) Other items:

Cost of inventories sold	544,039	123,740	233,363
Auditors' remuneration	1,264	1,130	1,724
Depreciation	6,455	6,483	9,316
Amortisation of intangible assets	588	448	657
Impairment loss on intangible assets	705	–	–
Operating lease charges in respect of properties	6,756	2,711	3,638
Loss on disposal of fixed assets	931	3	144
Trademark licence fee	1,884	–	–
Negative goodwill written off included in share of profits less losses of jointly controlled entities	–	(1,442)	–
Deemed losses on disposal included in share of profits less losses of jointly controlled entities	–	3,375	–
Provision for bad and doubtful debts	6,535	–	–
Provision for loans receivable	2,747	283	–
Provision for alleged claims in relation to a software copyright dispute	–	–	1,000
Rental income from investment properties less direct outgoings of HK\$80,000, HK\$28,000 and \$112,000 respectively	<u>(234)</u>	<u>(264)</u>	<u>(445)</u>

Included in the cost of inventories is a provision of HK\$5,263,000 against certain obsolete inventories for the year ended 31 December 2002.

(d) Non-operating income

On 18 March 2004, the Group and a minority shareholder of a subsidiary entered into an agreement with Roong Thavorn Plastic Co., Ltd., an independent third party, on the acquisition of the entire equity interest in Fuzhou Roong Thavorn Plastics Co., Ltd. ("Roong Thavorn") at a consideration of RMB13,400,000. Upon completion of the acquisition in May 2004, Roong Thavorn became a 65% subsidiary of the Group. The excess in the interest in the fair value of the net identifiable assets acquired over the cost of acquisition shared by the Group and the minority shareholder amounted to HK\$11,886,000 and HK\$6,360,000 respectively. The respective amounts were recognised in the consolidated income statement as "Non-operating income" and credited to the consolidated balance sheet as "Minority interest".

(e) Non-operating expenses

Non-operating expenses for the year ended 31 December 2003 represented the professional fees written off in respect of a proposed acquisition and a related rights issue which were subsequently terminated.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Taxation in the consolidated income statements represent:

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Current tax – Provision for Hong Kong Profits Tax			
Tax for the year	2,507	–	342
Under provision in respect of prior year	–	–	37
	<u>2,507</u>	<u>–</u>	<u>379</u>
Current tax – PRC			
Tax for the year	3,868	1,393	1,419
(Over)/under provision in respect of previous years	(34)	583	(281)
	<u>3,834</u>	<u>1,976</u>	<u>1,138</u>
Deferred tax			
Origination and reversal of temporary differences	(105)	906	1,243
Effect of increase in tax rate on deferred tax balance at 1 January	–	10	–
	<u>(105)</u>	<u>916</u>	<u>1,243</u>
Share of a jointly controlled entity's taxation	<u>–</u>	<u>204</u>	<u>–</u>
	<u>6,236</u>	<u>3,096</u>	<u>2,760</u>

The provision for Hong Kong Profits Tax is calculated at 16.0%, 17.5% and 17.5% of the estimated assessable profits for the years ended 31 December 2002, 2003 and 2004 respectively.

The PRC income tax of the Group and share of a jointly controlled entity's taxation represent provisions for the PRC income tax on profits of subsidiaries and a jointly controlled entity operating in the PRC which have been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries and the jointly controlled entity. The associates of the Group sustained loss for taxation purpose during the year ended 31 December 2004.

Certain subsidiaries and associates were granted exemptions and relief from the PRC income tax by the relevant local tax bureau.

The PRC subsidiaries of the Group prepared their financial statements for the years ended 31 December 2002, 2003 and 2004 in accordance with the PRC accounting standards and regulations (the "PRC GAAP"). Deferred taxation mainly represents differences between the PRC GAAP and HKFRSs in respect of accounting differences in income recognition.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit/(loss) before tax	<u>13,873</u>	<u>(1,576)</u>	<u>14,192</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	9	(507)	2,366
Tax effect of non-deductible expenses	1,738	113	778
Tax effect of non-taxable revenue	(493)	(2,077)	(2,374)
Tax effect of unused tax losses not recognised	5,016	4,974	2,439
Utilisation of tax losses	–	–	(205)
Effect of change in tax rates	–	10	–
(Over)/under provision in prior years	<u>(34)</u>	<u>583</u>	<u>(244)</u>
Actual tax expense	<u>6,236</u>	<u>3,096</u>	<u>2,760</u>

8. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Executive directors:			
Salaries and other emoluments	3,260	3,180	2,655
Retirement scheme contributions	48	48	38
Other allowances	540	540	–
Compensation for loss of office	–	1,100	–
	<u>3,848</u>	<u>4,868</u>	<u>2,693</u>
Independent non-executive directors:			
Fees	<u>240</u>	<u>240</u>	<u>271</u>

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed under note 28.

The remuneration of the directors is within the following bands:

	2002 <i>Number of directors</i>	2003 <i>Number of directors</i>	2004 <i>Number of directors</i>
Nil – HK\$1,000,000	6	5	7
HK\$1,000,001 – HK\$1,500,000	2	1	1
HK\$2,000,001 – HK\$2,500,000	–	1	–

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three, four and three of them are directors whose emoluments are disclosed in note 8 above for the years ended 31 December 2002, 2003 and 2004 respectively. The aggregate of the emoluments in respect of the other individuals are follows:

	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other emoluments	1,866	600	1,368
Retirement scheme contributions	12	–	24
	<u>1,878</u>	<u>600</u>	<u>1,392</u>

The emoluments of the other individuals with the highest emoluments for the years ended 31 December 2002, 2003 and 2004 respectively are within the following bands:

	2002 <i>Number of individuals</i>	2003 <i>Number of individuals</i>	2004 <i>Number of individuals</i>
Nil – HK\$1,000,000	2	1	1
HK\$1,000,001 – HK\$1,500,000	–	–	1

Other than those disclosed above, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emolument during the Relevant Period.

10. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated (loss)/profit attributable to shareholders includes a loss of HK\$27,219,000, HK\$25,446,000 and HK\$52,043,000 for the years ended 31 December 2002, 2003 and 2004 respectively, which have been dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not recommend the payment of a dividend during the Relevant Period.

12. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following:

	2002	2003	2004
(Loss)/profit attributable to shareholders (<i>HK\$'000</i>)	<u>(10,948)</u>	<u>(10,108)</u>	<u>8,054</u>
The weighted average number of ordinary shares in issue during the year	<u>440,644,000</u>	<u>440,644,000</u>	<u>502,123,000</u>

The amount of diluted (loss)/earnings per share is not presented as the effects of all potential ordinary shares are anti-dilutive during the Relevant Period.

13. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting system.

Business segments

The Group comprises the following main business segments during the Relevant Period:

Continuing operations

Manufacture and sale of computer related products:	Manufacturing and sale of plastic casings for computer equipment.
Software development and systems integration services:	Development of application software and provision of systems integration services for specific industries.
Sale of integrated circuits and computer software:	Trading of integrated circuits and computer software.
Information localisation services:	Provision of translation and information localisation services and products.

Discontinued operation

Systems value-added services:	Provision of computer mainframes, data storage system, servers, systems application software, networking equipment and comprehensive after-sales services and training services to customers.
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APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

	Continuing operations								Discontinued operation											
	Manufacture & sale of computer related products				Software development & systems integration services				Sale of integrated circuits and computer software				Information localisation services				Systems value-added services			
	2002	2003	2004		2002	2003	2004		2002	2003	2004		2002	2003	2004		2002	2003	2004	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue from external customers	52,970	124,822	142,509	61,660	30,060	55,247	-	-	93,285	-	-	-	522,759	-	-	-	637,389	154,882	291,041	-
Other revenue from external customers	46	522	-	208	1,287	2,218	-	-	-	-	-	-	2,092	-	270	864	1,606	2,616	2,673	3,824
	<u>53,016</u>	<u>125,344</u>	<u>142,509</u>	<u>61,868</u>	<u>31,347</u>	<u>57,465</u>	-	-	<u>93,285</u>	-	-	-	<u>524,851</u>	-	<u>270</u>	<u>864</u>	<u>1,606</u>	<u>640,005</u>	<u>157,555</u>	<u>294,865</u>
Segment result	11,103	19,474	13,071	6,186	(1,997)	(3,979)	-	-	22,671	-	-	-	27,405	-	-	-	44,694	17,477	31,763	-
Unallocated operating income and expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,915)	(13,575)	(18,651)	-
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,779	3,902	13,112	-
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,463)	(497)	(2,263)	-
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,886
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,509)
Share of profits less losses of jointly controlled entities	-	-	-	-	-	-	-	-	-	4,557	1,528	-	-	-	-	-	4,557	1,528	-	-
Share of losses of associates	-	-	-	-	-	-	-	-	-	-	(8,543)	-	-	-	-	-	-	-	-	(8,543)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,236)	(3,096)	(2,760)	-
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,585)	(5,436)	(3,378)	-
(Loss)/profit attributable to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,948)	(10,108)	(8,054)	-
Depreciation and amortisation for the year	2,223	2,893	5,361	936	1,390	2,128	-	-	33	-	-	-	864	-	3,020	2,648	2,451	7,043	6,931	9,973
Significant non-cash expenses (other than depreciation and amortisation)	-	-	-	1,735	1,735	1,000	-	-	-	-	-	-	7,325	-	-	-	-	-	-	-

	Continuing operations								Discontinued operation															
	Software development & systems integration services				Sale of integrated circuits and computer software				Information localisation services				Systems value-added services				Unallocated				Consolidated			
	2002	2003	2004	2004	2002	2003	2004	2004	2002	2003	2004	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004			
Segment assets	70,937	87,166	157,878	64,416	53,506	70,305	-	-	80,940	-	-	-	-	-	-	-	-	-	135,353	140,672	309,123			
Interest in jointly controlled entities	-	-	-	-	-	-	-	-	-	12,296	23,080	-	-	-	-	-	-	-	12,296	23,080	-			
Interest in associates	-	-	-	-	-	-	-	-	-	-	-	15,715	-	-	-	-	-	-	-	-	15,715			
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	262,676	249,483	233,223			
Total assets	42,694	45,655	84,720	34,742	34,563	45,035	-	-	44,223	-	-	-	-	-	-	-	-	77,436	80,218	173,978				
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,251	13,742	11,248			
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,687	93,960	185,226			
Capital expenditure incurred during the year	8,692	6,033	14,079	1,847	1,621	4,130	-	-	288	-	-	-	1,279	-	-	-	-	2,865	2,156	1,169	14,683	9,810	19,666	

Geographical segments

The Group's business participates in two major economic environment during the Relevant Period, namely the PRC and Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2002			2003			2004		
	Hong Kong		Total	Hong Kong		Total	Hong Kong		Total
	PRC	Kong		PRC	Kong		PRC	Kong	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>637,389</u>	<u>-</u>	<u>637,389</u>	<u>154,882</u>	<u>-</u>	<u>154,882</u>	<u>215,541</u>	<u>75,500</u>	<u>291,041</u>
Segment assets	<u>303,587</u>	<u>106,738</u>	<u>410,325</u>	<u>361,115</u>	<u>52,120</u>	<u>413,235</u>	<u>460,027</u>	<u>98,034</u>	<u>558,061</u>
Capital expenditure incurred during the year	<u>13,036</u>	<u>1,647</u>	<u>14,683</u>	<u>9,772</u>	<u>38</u>	<u>9,810</u>	<u>19,423</u>	<u>243</u>	<u>19,666</u>

14. FIXED ASSETS

(a) The Group

	Land and buildings held for own use HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:								
At 1 January 2002	7,399	2,900	17,562	11,856	8,818	48,535	9,033	57,568
Additions	1,790	846	6,536	2,039	2,129	13,340	-	13,340
Disposals								
- through disposal of subsidiaries	-	(903)	-	(6,588)	(853)	(8,344)	(1,753)	(10,097)
- others	-	(834)	-	(893)	(343)	(2,070)	-	(2,070)
Deficit on revaluation	(995)	-	-	-	-	(995)	(3,330)	(4,325)
At 31 December 2002	8,194	2,009	24,098	6,414	9,751	50,466	3,950	54,416
At 1 January 2003	8,194	2,009	24,098	6,414	9,751	50,466	3,950	54,416
Additions								
- through acquisition of subsidiaries	-	-	-	36	-	36	-	36
- others	-	406	5,437	790	1,208	7,841	-	7,841
Disposals	-	-	-	(256)	-	(256)	-	(256)
Deficit on revaluation	(366)	-	-	-	-	(366)	-	(366)
At 31 December 2003	7,828	2,415	29,535	6,984	10,959	57,721	3,950	61,671
At 1 January 2004	7,828	2,415	29,535	6,984	10,959	57,721	3,950	61,671
Additions								
- through acquisition of a subsidiary	15,787	-	14,893	42	-	30,722	-	30,722
- others	-	671	3,540	3,385	1,767	9,363	-	9,363
Disposals	-	-	(307)	(129)	(500)	(936)	-	(936)
Surplus on revaluation	2,850	-	-	-	-	2,850	2,350	5,200
At 31 December 2004	26,465	3,086	47,661	10,282	12,226	99,720	6,300	106,020
Representing:								
2002:								
Cost	-	2,009	24,098	6,414	9,751	42,272	-	42,272
Valuation	8,194	-	-	-	-	8,194	3,950	12,144
	8,194	2,009	24,098	6,414	9,751	50,466	3,950	54,416
2003:								
Cost	-	2,415	29,535	6,984	10,959	49,893	-	49,893
Valuation	7,828	-	-	-	-	7,828	3,950	11,778
	7,828	2,415	29,535	6,984	10,959	57,721	3,950	61,671
2004:								
Cost	-	3,086	47,661	10,282	12,226	73,255	-	73,255
Valuation	26,465	-	-	-	-	26,465	6,300	32,765
	26,465	3,086	47,661	10,282	12,226	99,720	6,300	106,020

	Land and buildings held for own use HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Accumulated depreciation:								
At 1 January 2002	380	824	4,358	4,012	1,079	10,653	-	10,653
Charge for the year	428	587	1,859	1,776	1,805	6,455	-	6,455
Written back on disposal								
- through disposal of subsidiaries	-	(804)	-	(1,935)	(166)	(2,905)	-	(2,905)
- others	-	(152)	-	(686)	(205)	(1,043)	-	(1,043)
Written back on revaluation	(808)	-	-	-	-	(808)	-	(808)
At 31 December 2002	-	455	6,217	3,167	2,513	12,352	-	12,352
At 1 January 2003	-	455	6,217	3,167	2,513	12,352	-	12,352
Charge for the year	520	461	2,344	999	2,159	6,483	-	6,483
Written back on disposal	-	-	-	(251)	-	(251)	-	(251)
Written back on revaluation	(520)	-	-	-	-	(520)	-	(520)
At 31 December 2003	-	916	8,561	3,915	4,672	18,064	-	18,064
At 1 January 2004	-	916	8,561	3,915	4,672	18,064	-	18,064
Charge for the year	1,020	658	4,115	1,431	2,092	9,316	-	9,316
Written back on disposal	-	-	(168)	(49)	(475)	(692)	-	(692)
Written back on revaluation	(154)	-	-	-	-	(154)	-	(154)
At 31 December 2004	866	1,574	12,508	5,297	6,289	26,534	-	26,534
Net book value:								
At 31 December 2002	8,194	1,554	17,881	3,247	7,238	38,114	3,950	42,064
At 31 December 2003	7,828	1,499	20,974	3,069	6,287	39,657	3,950	43,607
At 31 December 2004	25,599	1,512	35,153	4,985	5,937	73,186	6,300	79,486

(b) The Company

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2002	1,945	1,811	6,324	10,080
Additions	846	383	417	1,646
Disposals	(1,860)	(934)	–	(2,794)
At 31 December 2002	931	1,260	6,741	8,932
At 1 January 2003	931	1,260	6,741	8,932
Additions	–	30	3	33
Disposals	–	(101)	–	(101)
At 31 December 2003	931	1,189	6,744	8,864
At 1 January 2004	931	1,189	6,744	8,864
Additions	35	206	–	241
Disposals	–	(10)	(500)	(510)
At 31 December 2004	966	1,385	6,244	8,595
Accumulated depreciation:				
At 1 January 2002	144	873	494	1,511
Charge for the year	203	226	1,469	1,898
Written back on disposal	(144)	(251)	–	(395)
At 31 December 2002	203	848	1,963	3,014
At 1 January 2003	203	848	1,963	3,014
Charge for the year	186	178	1,543	1,907
Written back on disposal	–	(96)	–	(96)
At 31 December 2003	389	930	3,506	4,825
At 1 January 2004	389	930	3,506	4,825
Charge for the year	187	175	1,175	1,537
Written back on disposal	–	(10)	(475)	(485)
At 31 December 2004	576	1,095	4,206	5,877
Net book value:				
At 31 December 2002	728	412	4,778	5,918
At 31 December 2003	542	259	3,238	4,039
At 31 December 2004	390	290	2,038	2,718

- (c) An analysis of the net book value of the Group's properties is as follows:

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
In Hong Kong			
– long leases	5,750	5,750	8,600
– medium-term leases	3,950	3,950	6,300
Outside Hong Kong under medium-term leases	<u>2,444</u>	<u>2,078</u>	<u>16,999</u>
	<u>12,144</u>	<u>11,778</u>	<u>31,899</u>

- (d) The Group's investment properties and buildings held for own use in Hong Kong were revalued at 31 December 2002, 2003 and 2004 by an independent firm of surveyors, B. I. Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, on an open market value basis. The results of the revaluation are summarised as follows:

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Revaluation surplus credited to revaluation reserve (note 31(a))	–	–	3,004
Revaluation (deficit)/surplus (charged)/credited to consolidated income statements	<u>(3,517)</u>	<u>154</u>	<u>2,350</u>
	<u>(3,517)</u>	<u>154</u>	<u>5,354</u>

The Group's land and buildings held for own use outside Hong Kong were estimated at the directors' valuation on an existing use basis, which is not significantly different from the carrying amount at 31 December 2002, 2003 and 2004.

The carrying amount of the land and buildings held for own use of the Group at 31 December 2002, 2003 and 2004 would have been HK\$8,381,000, HK\$7,674,000 and HK\$22,441,000 respectively had they been carried at cost less accumulated depreciation.

- (e) At 31 December 2002, 2003 and 2004, the Group's investment properties with an aggregate carrying value of HK\$3,950,000, HK\$3,950,000 and HK\$6,300,000 respectively were pledged as security for banking facilities granted to the Group (note 26). In addition, certain buildings held for own use of the Group with an aggregate carrying value of HK\$5,750,000, HK\$5,750,000 and HK\$8,600,000 at 31 December 2002, 2003 and 2004 respectively were pledged as security for banking facilities granted to a subsidiary of a former related company (note 34).
- (f) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2002, 2003 and 2004, the gross carrying amount of investment properties of the Group held for use in operating leases were HK\$3,950,000, HK\$3,950,000 and HK\$6,300,000 respectively.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Within one year	81	121	311
After 1 year but within 5 years	–	–	111
	<u>81</u>	<u>121</u>	<u>422</u>

15. INTEREST IN SUBSIDIARIES

	2002 HK\$'000	The Company 2003 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	1,586	1,586	5,586
Amounts due from subsidiaries	263,498	279,013	287,694
Amounts due to subsidiaries	(13,850)	(46,473)	(35,429)
	<u>251,234</u>	<u>234,126</u>	<u>257,851</u>
Less: impairment loss	–	–	(50,066)
	<u>251,234</u>	<u>234,126</u>	<u>207,785</u>

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at the date of this report. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Win Perfect Limited	British Virgin Islands ("BVI")	100	–	US\$11,000	Investment holding
Futart Industry Company Limited	BVI	100	–	US\$10,000	Investment holding
Stepping Stones Limited	BVI	–	100	US\$11,000	Investment holding
Chatex Investment Limited	BVI	–	100	US\$1	Investment holding
Kayford Investment Limited	BVI	–	100	US\$1	Dormant
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK\$100,000	Sale of integrated circuits and computer software
Fortune Jet International Limited	Hong Kong	–	100	HK\$10,000,000	Investment holding
Regal Harbour Limited	Hong Kong	–	100	HK\$2	Property holding
Fortune Years Limited	Hong Kong	–	100	HK\$2	Property holding

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of company	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Start-tech (Guangzhou) Medical System Co., Ltd. (Formerly known as Start Technology (Guangzhou) Software Co., Ltd.) <i>(note i)</i>	PRC	-	100	RMB15,955,000	Provision of software development and systems integration services
Fujian Star System Integration Co., Ltd. <i>(note i)</i>	PRC	-	100	RMB4,800,000	Provision of software development and systems integration services
Fuqing Fujie Plastics Co., Ltd. ("Fuqing Fujie") <i>(notes iii and vi)</i>	PRC	-	65	RMB31,700,000	Manufacture and sale of computer related products
Start-tech (Fujian) Software and System Co., Ltd. ("Start-tech (Fujian)") (Formerly known as Xiamen Start Dragon Information Technology Co., Ltd.) <i>(notes i and v)</i>	PRC	-	100	RMB50,713,450	Provision of software development and systems integration services
Fuzhou Start Medical Systems Co., Ltd. (Formerly known as Fuzhou Start Dragon Information Technology Co., Ltd.) <i>(note i)</i>	PRC	-	100	RMB2,000,000	Provision of software development and systems integration services
Fujian Gallop Information Co., Ltd. <i>(note i)</i>	PRC	100	-	RMB5,754,428	Not yet commenced services
Start Technology (Beijing) Co., Ltd. <i>(note i)</i>	PRC	-	100	RMB5,020,490	Dormant
Fujian Hai Tong Technology Development Co., Ltd. ("Fujian Hai Tong") <i>(notes ii, vi and vii)</i>	PRC	-	100	RMB3,000,000	Trading of medical equipment
Fuzhou Hai Kang Medical Equipment Co., Ltd. ("Fuzhou Hai Kang") <i>(notes ii, vi and vii)</i>	PRC	-	100	RMB500,000	Trading of medical equipment
Anhui Start Technology and System Integration Co., Ltd. ("Anhui Start") <i>(notes ii, vi and vii)</i>	PRC	-	51	RMB2,550,000	Provision of software development and systems integration services
Fuzhou Roong Thavorn Plastics Co., Ltd. ("Roong Thavorn") <i>(notes iii, vi and viii)</i>	PRC	-	65	USD5,700,000	Manufacture and sale of computer related products

Name of company	Place of incorporation/ establishment and operation	Attributable ownership		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Inner Mongolia Start-tech Software and System Co., Ltd. ("Inner Mongolia") (notes ii, vi and viii)	PRC	-	100	RMB3,000,000	Provision of software development and systems integration services
Fujian Start Information Facility Co., Ltd. (notes i and viii)	PRC	-	100	RMB4,404,940	Not yet commenced operation
Wuhan Fujie Plastics Co., Ltd. ("Wuhan Fujie") (notes iii, vi and viii)	PRC	-	65	- (note iv)	Not yet commenced operation

Notes:

- (i) These are wholly foreign-owned companies established in the PRC.
- (ii) These are domestic limited liability companies established in the PRC.
- (iii) These are sino-foreign equity joint venture companies established in the PRC.
- (iv) Wuhan Fujie was incorporated on 1 November 2004. Pursuant to a capital verification report dated 1 March 2005, capital contribution in the form of cash totalling RMB1,505,000 has been injected by the shareholders of Wuhan Fujie.
- (v) On 17 February 2005, the Group acquired 12.2% equity interest in Star-tech (Fujian) and Star-tech (Fujian) became a wholly owned subsidiary of the Group thereafter.
- (vi) Subsequent to the acquisition of 12.2% equity interest in Star-tech (Fujian) as mentioned in note (v), the Group's attributable equity interest in the following subsidiaries increased as follows:

Subsidiary	Group's attributable equity interest before the acquisition of 12.2% equity interest in Star-tech (Fujian)	Group's attributable equity interest after the acquisition of 12.2% equity interest in Star-tech (Fujian)
Fuqing Fujie	60%	65%
Roong Thavorn	61%	65%
Wuhan Fujie	61%	65%
Fujian Hai Tong	89%	100%
Fuzhou Hai Kang	89%	100%
Anhui Start	45%	51%
Inner Mongolia	88%	100%

- (vii) These companies were acquired/established by the Group in 2003.
- (viii) These companies were acquired/established by the Group in 2004.

During 2002, the Group disposed of its entire equity interest, being 40% shareholding, in Beijing Futong Times Computer Co., Ltd, Beijing Futong ComputerLand Co., Ltd, Guangzhou Futong ComputerLand Co., Ltd, Shanghai Futong ComputerLand Co., Ltd, Shenzhen Futong ComputerLand Co., Ltd and Futong Times Computer (HK) Company Limited (note 3).

16. CONSTRUCTION IN PROGRESS

	2002 HK\$'000	The Group 2003 HK\$'000	2004 HK\$'000
Balance at 1 January	–	–	1,969
Additions	–	1,969	9,361
	<u>–</u>	<u>1,969</u>	<u>9,361</u>
Balance at 31 December	<u>–</u>	<u>1,969</u>	<u>11,330</u>

17. INTANGIBLE ASSETS

	The Group Computer software HK\$'000
Cost:	
At 1 January 2002	1,693
Additions through internal development	<u>1,343</u>
At 31 December 2002 and 31 December 2003	----- 3,036
At 1 January 2004	3,036
Additions	<u>942</u>
At 31 December 2004	----- 3,978
Accumulated amortisation:	
At 1 January 2002	423
Charge for the year	588
Impairment loss	<u>705</u>
At 31 December 2002	----- 1,716
At 1 January 2003	1,716
Charge for the year	<u>448</u>
At 31 December 2003	----- 2,164
At 1 January 2004	2,164
Charge for the year	<u>657</u>
At 31 December 2004	----- 2,821
Net book value:	
At 31 December 2002	<u>1,320</u>
At 31 December 2003	<u>872</u>
At 31 December 2004	<u>1,157</u>

Amortisation of intangible assets is included in "Cost of sales" in the consolidated income statements during the Relevant Period, except HK\$564,000, which were recognised in "Administrative expenses" during the year ended 31 December 2002.

During the year ended 31 December 2002, fewer contracts were entered into in respect of certain computer software of the Group that caused the Group to assess the recoverable amount of these software. Based on this assessment, the carrying value of these software of HK\$705,000 was fully written off (included in "Other operating expenses").

18. INTEREST IN ASSOCIATES/JOINTLY CONTROLLED ENTITIES

	2002 HK\$'000	The Group 2003 HK\$'000	2004 HK\$'000
Share of net assets	12,296	23,080	15,715

Details of the Group's interest in the associates as at the date of this report are as follows:

Name of associates	Form of business structure	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Attributable ownership interest percentage		Principal activities
					Direct	Indirect	
SJTU Sunway Software Industry Limited ("SJTU Sunway")	Limited company	Cayman Islands	Hong Kong	HK\$2,000,000	-	32.2	Investment holding
Besto Investment Limited	Limited company	BVI	Hong Kong	US\$14,833	-	32.2	Investment holding
SJTU Sunway Information Technology Co., Ltd. (Formerly known as SJTU Sunway Software Co., Ltd.) ("SJTU Sunway (Beijing)")	Wholly foreign-owned enterprise	PRC	PRC	RMB15,000,000	-	32.2	Provision of information localisation services
SUNV (Beijing) Century Information Technology Co., Ltd. (note ii)	Wholly foreign-owned enterprise	PRC	PRC	RMB6,000,000	-	32.2	Provision of information localisation services
Beijing Guoxin Sunway IT Co., Ltd. (note ii)	Limited company	PRC	PRC	RMB2,000,000	-	32.2	Provision of information localisation services
Shanghai Sunway Century IT Co., Ltd. (note ii)	Limited company	PRC	PRC	RMB5,000,000	-	32.2	Provision of information localisation services
Fujian Multi Language Translation Service Company Limited ("FMLT") (notes i and ii)	Limited company	PRC	PRC	RMB5,000,000	-	49.1	Provision of information localisation services
Loten Technology Co., Ltd (note iii)	Limited company	PRC	PRC	RMB50,000,000	-	30	Provision of solution for the management of automatic teller machines

Notes:

- (i) FMLT is owned as to 75% by SJTU Sunway (Beijing) and 25% by a subsidiary, Start-tech (Fujian).
- (ii) These companies were established in 2004.
- (iii) The Company is a newly acquired associate in 2005.

On 25 November 2003, the Group's jointly controlled entities completed a group reorganisation to rationalise the group structure in preparation for the listing of shares on the Growth Enterprise Market ("GEM") of the Stock Exchange.

Upon completion of the reorganisation, the Group's interest in SJTU Sunway is increased from 40% to 49.5%.

Pursuant to a placing and a capitalisation issue which was complete on 7 January 2004, the Group's interest in SJTU Sunway is diluted to 32.2% and SJTU Sunway became an associate of the Group as the Group has significant influence, but not control or joint control, over the management of SJTU Sunway. The shares of SJTU Sunway commenced dealings in the GEM of the Stock Exchange on 9 January 2004.

An extract of the consolidated financial information of SJTU Sunway is as follows:

	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance sheet as at 31 December			
Non-current assets	5,566	6,946	22,179
Current assets	42,723	67,707	49,412
Current liabilities	<u>16,136</u>	<u>21,208</u>	<u>23,088</u>
Income statement for the year ended 31 December			
Turnover	41,850	35,502	13,949
Profit/(loss) from ordinary activities before taxation	8,970	8,654	(25,982)
Income tax	<u>–</u>	<u>509</u>	<u>1</u>

19. INVESTMENT FUNDS

- (a) Investment fund of HK\$16,956,000 at 31 December 2002 represents funds placed with a PRC company for a term of six months for investments in listed or unlisted companies in the PRC with a guaranteed minimum rate of return of not less than the prevailing bank lending rate in the PRC. The amount was refunded to the Group in February 2003 upon the expiry of the placement term and guaranteed investment return of HK\$426,000 was received.
- (b) Pursuant to an agreement dated 5 September 2003, a subsidiary of the Group entered into an agreement with a PRC domestic company for the provision of ongoing financial advisory services in sourcing IT related development projects or other acquisition projects. As at 31 December 2003 and 31 December 2004, investment fund of HK\$19,336,000 was placed with the PRC domestic company. Service fee calculated at 20% of any investment returns received is payable to the PRC domestic company at the end of the service term.
- (c) On 25 November 2004, the Group entered into a memorandum of understanding with an independent third party to acquire 51% equity interest in certain PRC domestic companies. As at 31 December 2004, an investment fund of HK\$12,000,000 was placed with this independent third party as a deposit for the acquisition.

- (d) Pursuant to an agreement dated 19 January 2004, the Company entered into agreement with a Hong Kong company for the provision of ongoing financial advisory service in sourcing capital investment projects. As at 31 December 2004, investment fund of HK\$2,150,000 was placed with the Hong Kong company. Service fee of HK\$150,000 is payable to the Hong Kong company at the end of the service term for any capital investment projects sourced.

20. INVENTORIES

	The Group		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Raw materials	13,753	17,989	18,568
Work in progress	436	456	225
Finished goods	8,838	5,512	8,921
	<u>23,027</u>	<u>23,957</u>	<u>27,714</u>

All inventories are stated at cost. During the year ended 31 December 2002, a provision of HK\$5,263,000 was made against certain obsolete inventories.

21. TRADE AND OTHER RECEIVABLES

	Note	The Group			The Company		
		2002	2003	2004	2002	2003	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts receivable	<i>i</i>	37,054	50,636	120,009	-	-	-
Bills receivable	<i>i</i>	-	94	19	-	-	-
Retentions receivable from customers (<i>note 23</i>)		18,570	3,114	3,257	-	-	-
Gross amount due from customers for contract work (<i>note 23</i>)		10,605	9,587	12,598	-	-	-
Prepayments, deposits and other receivables	<i>ii</i>	44,383	15,799	23,149	7,665	5,678	5,934
Loans receivable	<i>iii</i>	23,982	27,630	11,869	-	186	4,056
		<u>134,594</u>	<u>106,860</u>	<u>170,901</u>	<u>7,665</u>	<u>5,864</u>	<u>9,990</u>

All of the trade and other receivables, apart from those mentioned in notes 23, are expected to be recovered within one year.

Notes:

- (i) Included in trade and other receivables are accounts receivable and bills receivable (net of specific provision for bad and doubtful debts) with the following ageing analysis:

	The Group		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Current	22,829	33,627	100,392
1 to 3 months overdue	12,705	12,253	6,743
More than 3 months overdue but less than 12 months overdue	1,489	3,384	8,796
Overdue beyond 1 year	31	1,466	4,097
	<u>37,054</u>	<u>50,730</u>	<u>120,028</u>

Credit terms granted by the Group to the customers generally range from 30 days to 150 days. Accounts receivable with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

- (ii) Included in prepayments, deposits and other receivables as at 31 December 2002 was the remaining balance of net proceeds of HK\$29,227,000 receivable from the disposal of 40% of the issued capital of a subsidiary, Start Futong Technology Company Limited (“Futong”), which was secured by a 27.97% equity interest of Futong. The amount was settled on 14 January 2003.
- (iii) Interest is charged at 1.75% to 7.2% per annum, 1.20% to 10% per annum and 1.25% to 7.2% per annum for the years ended 31 December 2002, 2003 and 2004 respectively. For the balance as at 31 December 2004, HK\$6,891,000 was repaid up to April 2005. The remaining balances of HK\$4,978,000 are repayable on or before 30 November 2005.

Balances with related parties included above are as follows:

	The Group									The Company					
	2002			2003			2004			2002		2003		2004	
	Accounts receivable	Loans receivable	Prepayments, deposits and other receivables	Accounts receivable	Loans receivable	Prepayments, deposits and other receivables	Accounts receivable	Loans receivable	Prepayments, deposits and other receivables	Loans receivable	Prepayments, deposits and other receivables	Loans receivable	Prepayments, deposits and other receivables	Loans receivable	Prepayments, deposits and other receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from an associate/jointly controlled entity (note i)	-	-	4,861	-	-	2,911	-	-	106	-	-	-	-	-	106
Loans to associates (note ii)	-	-	-	-	-	-	-	2,322	-	-	-	-	-	-	1,471
Amounts due from related parties (note iii)	141	-	1,683	-	-	-	-	-	-	-	-	-	-	-	-
	<u>141</u>	<u>-</u>	<u>6,544</u>	<u>-</u>	<u>-</u>	<u>2,911</u>	<u>-</u>	<u>2,322</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,471</u>

Notes:

- (i) The amount due from an associate/jointly controlled entity is unsecured and interest free during the Relevant Period. At 31 December 2002 and 2003, the amount due from jointly controlled entity represented operating expenses paid on behalf of the jointly controlled entity. At 31 December 2004, the amount due from an associate represents rental income receivable.
- (ii) Loans to associates are unsecured, bearing interest ranged from 1.6% to 2.7% per annum and are due in October 2005.
- (iii) Amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

22. TRADING SECURITIES

	The Group		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Trading securities, listed in Hong Kong at market value	<u>19,168</u>	<u>-</u>	<u>-</u>

As at 31 December 2002, the trading securities were pledged as security for banking facilities granted to the Group (see note 26).

23. SYSTEMS INTEGRATION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, including the gross amount due from/to customers for contract work, during the years ended 31 December 2002, 2003 and 2004 amounted to HK\$41,966,000, HK\$43,704,000 and HK\$61,013,000 respectively.

The gross amount due from customers for contract work at 31 December 2002, 2003 and 2004 that is expected to be recovered after more than one year are HK\$554,000, HK\$Nil and HK\$Nil respectively. The gross amount due to customers for contract work at 31 December 2002, 2003 and 2004 are expected to be settled within one year.

In respect of systems integration contracts in progress at the balance sheet date, the amount of retentions receivable from customers at 31 December 2002, 2003 and 2004 are HK\$18,570,000, HK\$3,114,000 and HK\$3,257,000 respectively. The amount of retentions at 31 December 2002, 2003 and 2004 that are expected to be recovered after more than one year are HK\$Nil, HK\$1,617,000 and HK\$Nil respectively.

24. CASH AND CASH EQUIVALENTS

	The Group			The Company		
	2002	2003	2004	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	17,156	49,689	74,391	<u>357</u>	<u>109</u>	<u>30</u>
Bank overdraft (note 26)	<u>(1,190)</u>	<u>(1,223)</u>	<u>(20,001)</u>			
Cash and cash equivalents in the consolidated cash flow statements	<u>15,966</u>	<u>48,466</u>	<u>54,390</u>			

25. TRADE AND OTHER PAYABLES

	Note	The Group			The Company		
		2002	2003	2004	2002	2003	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts payable	<i>i</i>	33,022	46,578	73,978	-	-	-
Bills payable	<i>i</i>	-	2,803	3,133	-	-	-
Gross amount due to customers for contract work (note 23)		4,258	2,325	4,769	-	-	-
Receipts in advance		311	465	498	-	-	-
Other payables and accrued liabilities		<u>35,336</u>	<u>32,207</u>	<u>30,191</u>	<u>3,652</u>	<u>8,062</u>	<u>5,444</u>
		<u>72,927</u>	<u>84,378</u>	<u>112,569</u>	<u>3,652</u>	<u>8,062</u>	<u>5,444</u>

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

Note:

- (i) Included in trade and other payables are accounts payable and bills payable with the following ageing analysis:

	The Group		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Due within 3 months or on demand	30,330	43,869	46,026
Overdue 3 months to 1 year	2,522	5,253	30,618
Overdue beyond 1 year	170	259	467
	<u>33,022</u>	<u>49,381</u>	<u>77,111</u>

- (ii) Balances with related parties included above are as follows:

	The Group		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Amounts due to related parties included in other payables and accrual liabilities	<u>1,298</u>	<u>-</u>	<u>-</u>

The amounts due to related parties are unsecured, interest rate and have no fixed terms of repayment.

26. LOANS AND OVERDRAFT

	The Group			The Company		
	2002	2003	2004	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank overdraft (note 24)	1,190	1,223	20,001	-	-	-
Bank loans – unsecured	6,594	5,652	46,540	-	-	-
Other loans – unsecured	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>1,100</u>
	<u>7,784</u>	<u>6,875</u>	<u>67,791</u>	<u>-</u>	<u>-</u>	<u>1,100</u>

At 31 December 2002, 2003 and 2004, all loans and overdraft were repayable within one year or on demand.

As at 31 December 2002, 2003 and 2004, the Group had banking facilities totaling of HK\$78,600,000, HK\$73,304,000 and HK\$102,970,000 respectively of which HK\$72,000,000, HK\$62,000,000 and HK\$70,000,000 were secured by the following:

- (i) Mortgages over the Group's investment properties with an aggregate carrying value of HK\$3,950,000, HK\$3,950,000 and HK\$6,300,000 at 31 December 2002, 2003 and 2004, respectively.
- (ii) A charge over the Group's fixed deposits with banks of HK\$17,516,000 at 31 December 2002, 2003 and 2004, respectively.

- (iii) A charge over the Group's trading securities listed in Hong Kong with a market value of HK\$19,168,000 as at 31 December 2002.
- (iv) Corporate guarantee given by the Company.

The banking facilities were utilised to the extent of HK\$8,900,000, HK\$8,874,000 and HK\$69,674,000 at 31 December 2002, 2003 and 2004 respectively.

27. EMPLOYEE RETIREMENT BENEFITS

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the consolidated income statements amounted to HK\$233,000, HK\$159,000 and HK\$77,000 during the years ended 31 December 2002, 2003 and 2004 respectively.

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 19% to 25.5%, 14% to 21% and 14% to 25% of the standard wages determined by the relevant authorities in the PRC during the years ended 31 December 2002, 2003 and 2004 respectively.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to HK\$1,003,000, HK\$1,019,000 and HK\$1,120,000 during the years ended 31 December 2002, 2003 and 2004 respectively.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees during the Relevant Period.

28. EQUITY COMPENSATION BENEFITS

Prior to 23 May 2002, the Company operated an option scheme whereby the board of directors could, at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the board of directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options will be the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. Each option gives the holder the right to subscribe for one share.

The share options are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions as follows:

Date granted	Vesting period	Percentage of options vested
06.07.1999	06.07.1999-01.10.1999	Nil
	02.10.1999-01.01.2000	10%
	02.01.2000-01.01.2001	30%
	02.01.2001-01.01.2002	60%
	02.01.2002-01.07.2002	90%
	02.07.2002-05.07.2009	100%
30.12.1999, 17.01.2000, 21.01.2000, 07.03.2000 and 10.08.2000	Date of grant-01.01.2001	Nil
	02.01.2001-01.01.2002	30%
	02.01.2002-01.01.2003	60%
	02.01.2003-10 years from the date of grant	100%
04.06.2001	04.06.2001-30.09.2001	Nil
	01.10.2001-01.01.2002	40%
	02.01.2002-01.01.2003	70%
	02.01.2003-03.06.2011	100%
28.05.2002	28.05.2002-01.01.2003	40%
	02.01.2003-01.01.2004	70%
	02.01.2004-27.05.2012	100%

(a) Movement in share options

	2002 Number	2003 Number	2004 Number
At 1 January	35,197,000	30,221,000	28,281,000
Granted	2,000,000	–	–
Lapsed	(6,976,000)	(1,940,000)	(1,400,000)
At 31 December	<u>30,221,000</u>	<u>28,281,000</u>	<u>26,881,000</u>
Option vested at 31 December	<u>23,050,000</u>	<u>27,341,000</u>	<u>26,881,000</u>

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise period	Exercise price	2002 Number	2003 Number	2004 Number
06.07.1999	02.10.1999-05.07.2009	HK\$1.08	7,981,000	7,981,000	7,981,000
06.07.1999	02.10.1999-05.07.2009	HK\$1.21	700,000	–	–
30.12.1999	02.01.2001-29.12.2009	HK\$1.13	500,000	500,000	100,000
17.01.2000	02.01.2001-16.01.2010	HK\$1.32	1,050,000	850,000	850,000
21.01.2000	02.01.2001-20.01.2010	HK\$1.44	900,000	560,000	560,000
07.03.2000	02.01.2001-06.03.2010	HK\$2.06	40,000	40,000	40,000
10.08.2000	02.01.2001-09.08.2010	HK\$1.14	800,000	800,000	300,000
04.06.2001	01.10.2001-03.06.2011	HK\$0.58	16,250,000	16,050,000	16,050,000
28.05.2002	28.05.2002-27.05.2012	HK\$0.67	2,000,000	1,500,000	1,000,000
			<u>30,221,000</u>	<u>28,281,000</u>	<u>26,881,000</u>

29. INCOME TAX IN THE BALANCE SHEETS

(a) Current taxation in the balance sheets represent:

	2002	The Group 2003	2004
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profit Tax payable	–	–	342
PRC income tax payable	1,371	1,065	1,097
	<u>1,371</u>	<u>1,065</u>	<u>1,439</u>

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheets and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties held for own use	Cut-off difference in income recognition between the PRC GAAP and HKFRSs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	126	–	3,292	3,418
(Credited)/charged to consolidated income statements (<i>note 7(a)</i>)	(126)	–	21	(105)
Disposal of subsidiaries	–	–	(2,708)	(2,708)
At 31 December 2002	<u>–</u>	<u>–</u>	<u>605</u>	<u>605</u>
At 1 January 2003	–	–	605	605
Charged to consolidated income statements (<i>note 7(a)</i>)	–	59	857	916
At 31 December 2003	<u>–</u>	<u>59</u>	<u>1,462</u>	<u>1,521</u>
At 1 January 2004	–	59	1,462	1,521
Charged to consolidated income statements (<i>note 7(a)</i>)	–	13	1,230	1,243
Charged to reserve (<i>note 31(a)</i>)	–	526	–	526
At 31 December 2004	<u>–</u>	<u>598</u>	<u>2,692</u>	<u>3,290</u>

	2002	The Group 2003	2004
	HK\$'000	HK\$'000	HK\$'000
Net deferred tax assets recognised on the consolidated balance sheets	–	(121)	(137)
Net deferred tax liabilities recognised on the consolidated balance sheets	605	1,642	3,427
	<u>605</u>	<u>1,521</u>	<u>3,290</u>

- (c) The Group has not recognised deferred tax assets in respect of tax losses of HK\$55,864,000, HK\$82,389,000 and HK\$50,035,000 at 31 December 2002, 2003 and 2004 respectively. The tax losses do not expire under current tax legislation.

30. SHARE CAPITAL

	2002		2003		2004	
	No. of shares		No. of shares		No. of shares	
	('000)	HK\$'000	('000)	HK\$'000	('000)	HK\$'000
Authorised:						
Ordinary shares of \$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>3,000,000</u>	<u>300,000</u>	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:						
At 1 January	440,644	44,064	440,644	44,064	440,644	44,064
Placing of new shares	–	–	–	–	88,000	8,800
At 31 December	<u>440,644</u>	<u>44,064</u>	<u>440,644</u>	<u>44,064</u>	<u>528,644</u>	<u>52,864</u>

Pursuant to a resolution passed at the special general meeting held on 8 July 2003, the Company's authorised share capital was increased to HK\$300,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.1 each, ranking pari passu with the existing shares of the Company.

On 20 April 2004, the Company issued 88,000,000 new ordinary shares of HK\$0.1 each at a subscription price of HK\$0.35 per share, by way of placement, raising net proceeds of HK\$29,946,000.

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

31. RESERVES

(a) The Group

	Share premium (note i) HK\$'000	General reserve (note ii) HK\$'000	Translation reserve (note iii) HK\$'000	Land and buildings revaluation reserve (note iv) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2002	195,909	6,675	1,168	-	72,787	276,539
Transfer between reserves	-	1,574	-	-	(1,574)	-
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	-	(2)	-	-	(2)
Loss for the year	-	-	-	-	(10,948)	(10,948)
At 31 December 2002	195,909	8,249	1,166	-	60,265	265,589
At 1 January 2003	195,909	8,249	1,166	-	60,265	265,589
Transfer between reserves	-	2,778	-	-	(2,778)	-
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	-	7	-	-	7
Loss for the year	-	-	-	-	(10,108)	(10,108)
At 31 December 2003	195,909	11,027	1,173	-	47,379	255,488
At 1 January 2004	195,909	11,027	1,173	-	47,379	255,488
Transfer between reserves	-	2,153	-	-	(2,153)	-
Placing of new shares (note 30)	21,146	-	-	-	-	21,146
Surplus on revaluation of buildings held for own use (note 14(d))	-	-	-	3,004	-	3,004
Deferred tax liability arising from revaluation (note 29(b))	-	-	-	(526)	-	(526)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	-	(6)	-	-	(6)
Profit for the year	-	-	-	-	8,054	8,054
At 31 December 2004	217,055	13,180	1,167	2,478	53,280	287,160

Included in the figure for the retained earnings is retained earnings of HK\$6,737,000, retained earnings of HK\$8,061,000 and accumulated losses of HK\$482,000 attributable to jointly controlled entities and associates as at 31 December 2002, 2003 and 2004 respectively.

(b) The Company

	Share premium (note i) HK\$'000	Retained earnings/ losses (Accumulated) HK\$'000	Total HK\$'000
At 1 January 2002	195,909	48,768	244,677
Loss for the year	–	(27,219)	(27,219)
	<u>195,909</u>	<u>21,549</u>	<u>217,458</u>
At 31 December 2002			
At 1 January 2003	195,909	21,549	217,458
Loss for the year	–	(25,446)	(25,446)
	<u>195,909</u>	<u>(3,897)</u>	<u>192,012</u>
At 31 December 2003			
At 1 January 2004	195,909	(3,897)	192,012
Placing of new shares (note 30)	21,146	–	21,146
Loss for the year	–	(52,043)	(52,043)
	<u>217,055</u>	<u>(55,940)</u>	<u>161,115</u>
At 31 December 2004			

Notes:

(i) Share premium

Under the Companies Act 1981 of Bermuda (as amended), the funds in the share premium account are distributable in the form of fully paid bonus shares.

(ii) General reserve

According to the relevant rules and regulations in the PRC, the Group's subsidiaries in the PRC should appropriate part of their profits after taxation to general reserve, which can be used to make good losses and to convert into paid-up capital.

(iii) Translation reserve

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries, associates and jointly controlled entities operating outside Hong Kong.

(iv) Land and buildings revaluation reserve

The land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for revaluation of land and buildings held for own use (note 1(g)).

(v) Distributable reserves

In the opinion of the directors, the aggregate amount of distributable reserves available for distribution to shareholders of the Company as at 31 December 2002 was HK\$21,549,000. There were no distributable reserves available for distribution to shareholders of the Company at 31 December 2003 and 2004. In addition, the Company's share premium account of HK\$195,909,000, HK\$195,909,000 and HK\$217,055,000 at 31 December 2002, 2003 and 2004 respectively may be available for distribution in the form of fully paid bonus shares.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisitions of subsidiaries

	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets acquired:			
Fixed assets	–	36	30,722
Inventories	–	11	–
Accounts receivable	–	36	206
Prepayments, deposits and other receivables	–	3,093	–
Cash and cash equivalents	–	163	129
Receipts in advance	–	(283)	–
Other payables and accrued liabilities	–	(370)	(262)
	–	2,686	30,795
Minority interest	–	–	(7,390)
Excess in the interest in the fair value of the net identifiable assets acquired over the cost of acquisition	–	–	(11,886)
	<u>–</u>	<u>2,686</u>	<u>11,519</u>
Satisfied by:			
Cash paid	–	1,632	11,519
Cash payable	–	1,054	–
	<u>–</u>	<u>2,686</u>	<u>11,519</u>
Analysis of net outflow of cash and cash equivalents in connection with the acquisitions of subsidiaries:			
Cash paid	–	1,632	11,519
Cash and cash equivalents of the subsidiaries acquired	–	(163)	(129)
Net outflow of cash and cash equivalents in respect of acquisitions of subsidiaries	<u>–</u>	<u>1,469</u>	<u>11,390</u>

(b) Disposal of subsidiaries

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Net assets disposed of:			
Fixed assets	7,192	–	–
Pledged deposits	1,715	–	–
Inventories	256,191	–	–
Accounts receivable	229,867	–	–
Prepayments, deposits and other receivables	47,564	–	–
Cash and cash equivalents	97,237	–	–
Short term loans	(90,578)	–	–
Accounts payable	(165,114)	–	–
Receipts in advance	(66,096)	–	–
Other payables and accrued liabilities	(182,808)	–	–
Current taxation	(5,042)	–	–
Deferred tax liabilities	(2,708)	–	–
	<u>127,420</u>	<u>–</u>	<u>–</u>
Minority interests	(79,843)	–	–
Profit on disposal	4,987	–	–
Goodwill on acquisition	19,113	–	–
	<u>71,677</u>	<u>–</u>	<u>–</u>
Satisfied by:			
Cash – received (net of disposal expenses) receivable	42,450 <u>29,227</u>	– <u>–</u>	– <u>–</u>
	<u>71,677</u>	<u>–</u>	<u>–</u>
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:			
Cash received	42,450	–	–
Cash and cash equivalents of the subsidiaries disposed of	<u>(97,237)</u>	<u>–</u>	<u>–</u>
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	<u>(54,787)</u>	<u>–</u>	<u>–</u>

(c) Discontinued operation

Included in the consolidated cash flow statements are the following net cash flows related to discontinued operation for the year ended 31 December 2002:

	2002 HK\$'000
Cash used in operating activities	(51,090)
Cash generated from investing activities	4,842
Cash generated from financing activities	<u>60,434</u>

33. COMMITMENTS

(a) Commitments under operating leases

At 31 December 2002, 2003 and 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			The Company		
	2002	2003	2004	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	2,439	2,085	2,078	–	199	202
After 1 year but within 5 years	195	435	422	–	–	–
	<u>2,634</u>	<u>2,520</u>	<u>2,500</u>	<u>–</u>	<u>199</u>	<u>202</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(b) Capital commitments

Capital commitments outstanding at 31 December 2002, 2003 and 2004 not provided for in the Financial Information were as follows:

	The Group		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Contracted for	16,336	3,297	13,440
Authorised but not contracted for	–	6,989	–
	<u>16,336</u>	<u>10,286</u>	<u>13,440</u>

34. CONTINGENT LIABILITIES

At 31 December 2002, 2003 and 2004, there were contingent liabilities in respect of the following:

	Note	The Group			The Company		
		2002	2003	2004	2002	2003	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks by the Company in respect of banking facilities utilised by a wholly owned subsidiary		–	–	–	1,190	3,222	42,814
Assets pledged and guarantee given	i	171	5,347	788	171	5,347	788
		<u>171</u>	<u>5,347</u>	<u>788</u>	<u>1,361</u>	<u>8,569</u>	<u>43,602</u>

Note:

- (i) At 31 December 2002, 2003 and 2004, certain land and buildings held for own use of the Group with an aggregate carrying value of HK\$5,750,000, HK\$5,750,000 and HK\$8,600,000 respectively were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$15,000,000 granted to a subsidiary of a former related company during the Relevant Period. As at 31 December 2002, 2003 and 2004, the amount of the facilities utilised were HK\$171,000, HK\$5,347,000 and HK\$788,000 respectively.

35. MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Period, the Group has the following material transactions with certain related parties in which a director or shareholder of the Group is in a position to exercise significant influence:

	Note	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Trading transactions				
Systems integration services income	<i>i</i>	1,679	–	–
Systems value-added services income	<i>i</i>	639	–	–
Purchases of goods	<i>ii</i>	721	–	–
Sales commission	<i>iii</i>	1,298	–	–
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (i) These represented income from the provisions of systems integration services and systems value-added services to a related company of which a director of a subsidiary of the Group was a substantial shareholder.
- (ii) Computer products were purchased from a related company of which a director of a subsidiary of the Group was a substantial shareholder.
- (iii) These represented sales commission paid to a related company of which a director of a subsidiary of the Group was a substantial shareholder.

	Note	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Non-trading transactions				
Disposal of subsidiaries	<i>i</i>	72,129	–	–
Handling charges	<i>ii</i>	1,095	–	–
Interest paid	<i>iii</i>	394	–	–
Other borrowing costs	<i>iv</i>	139	–	–
Guarantee	<i>v</i>	31,200	–	–
Advance of loan	<i>vi</i>	12,000	–	–
Repayment of loan	<i>vi</i>	12,000	–	–
Acquisition of subsidiaries	<i>vii</i>	697	–	–
Prepayments	<i>viii</i>	3,547	104	–
Expenses paid	<i>ix</i>	–	2,911	–
Interest received	<i>x</i>	–	225	–
Rental income	<i>xi</i>	–	46	274
Advance of loans to associates	<i>xii</i>	–	–	2,322
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (i) On 18 May 2002, the Group entered into agreements for the disposal of its entire interests, being 40% of the total issued capital, in Futong at a total consideration of approximately HK\$72,129,000. The Disposal comprises two parts:
 - (a) the Buy Back Agreement under which Futong bought back and the Group sold 12.03% of the total existing issued capital of Futong at a consideration of approximately HK\$21,686,000; and
 - (b) the Sale and Purchase Agreement under which the Group sold and Mr. Chen Jian (“Mr. Chen”) purchased 27.97% of the total existing issued capital of Futong at a consideration of approximately HK\$50,443,000.

The Disposal was completed on 5 July 2002.

Mr. Chen was a director of the Company prior to his resignation on 30 April 2002. He was also a substantial shareholder of Futong, holding, together with his associates, 42% of the equity interest of Futong prior to the Disposal.

- (ii) Handling charges represented fees paid to a company owned by Mr. Chen in respect of letters of credit issued on behalf of the subsidiaries of Futong before the Disposal.
- (iii) This represented interest expense in respect of short term borrowings advanced by Mr. Chen to the subsidiaries of Futong before the Disposal. Interest was charged at 9.3% per annum during the year ended 31 December 2002.
- (iv) Other borrowing costs represented interest expense in respect of trust receipt loans recharged by a company owned by Mr. Chen to the subsidiaries of Futong before the Disposal.
- (v) A fixed deposit in the amount of HK\$11,700,000 was pledged and guarantee was given by Mr. Chen in respect of banking facilities totalling approximately HK\$31,200,000 granted to the subsidiaries of Futong before the Disposal.
- (vi) A loan was advanced to and repaid by a company. A Director of the Company was also a director of this company during the year ended 31 December 2002.
- (vii) On 20 March 2002, the Group entered into an agreement with E-Star Information Systems Holdings Co. Ltd. (“E-Star”) to acquire the remaining 30% interest in a subsidiary, Fujian SI, at a consideration of HK\$697,000. After the acquisition, Fujian SI became a wholly owned subsidiary of the Group. A substantial shareholder of E-Star was also a director of certain subsidiaries of the Group.
- (viii) Prepayments represented listing expenses paid by the Group on behalf of the jointly controlled entity.
- (ix) The amounts represented operating expenses paid by the Group on behalf of the jointly controlled entity (note 21).
- (x) Interest received represented interest income in respect of short-term borrowings advanced to jointly controlled entities. Interest under these financing arrangements was charged at 10% per annum during the year ended 31 December 2003.
- (xi) These represented rental income received from an associate/jointly controlled entity (note 21). Certain directors of the Company are also directors of the associate/jointly controlled entity.
- (xii) Loans to associates are unsecured, bearing interest ranged from 1.6% to 2.7% per annum and are due in October 2005.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

36. CHANGES IN ACCOUNTING POLICY

(a) Fixed assets

Prior to 1 January 2002, buildings held for own use were stated at cost less accumulated depreciation. With effect from 1 January 2002, the Group adopted an accounting policy of stating all buildings held for own use at revalued amounts as set out in note 1(g). The Group believed that this change in policy would result in a more appropriate presentation of events and transactions.

The adoption of the new accounting policy did not significantly affect the Group's loss for the year ended 31 December 2002 and the net assets as at 31 December 2002. The new accounting policy has been adopted prospectively with no significant impact on the Group's results of operations or reserves prior to 1 January 2002.

(b) Deferred tax

Prior to 1 January 2003, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with SSAP 12 (revised) issued by the HKICPA, the Group adopted a new policy for deferred tax as set out in note 1(p).

The adoption of the new accounting policy did not significantly affect the Group's loss for the year ended 31 December 2003 and the net assets as at 31 December 2003. The new accounting policy has been adopted prospectively with no significant impact on the Group's results of operations or reserves prior to 1 January 2003.

(c) Goodwill

The HKICPA has issued a number of new and revised HKFRS and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods on or after 1 January 2005. With effect from 1 January 2004, the Group has early adopted the following new HKFRSs:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets

The early adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Prior to 1 January 2004:

- (i) Positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life and assessed for impairment if there is any indication at each balance sheet date.
- (ii) Negative goodwill is recognised in the consolidated income statement:
 - when future losses and expenses are recognised to the extent of expected future losses;
 - over the weighted average useful life of non-monetary assets acquired to the extent of the fair values of the relevant assets; and
 - immediately upon acquisition for the portion in excess of the fair values of the non-monetary assets acquired.

In accordance with the provisions of HKFRS 3, from 1 January 2004, the Group adopted a new accounting policy for goodwill as set out in note 1(e).

With the early adoption of HKFRS 3, the Group recognised HK\$11,886,000 as “Non-operating income” being the excess of its interest in the fair value of the net identifiable assets acquired over the cost of acquisition arising on the acquisition of a subsidiary. The new accounting policy has been adopted retrospectively with the restatement of goodwill as at 1 January 2002 which related to the former subsidiaries disposed of during the year ended 31 December 2002. The adoption of the new accounting policy has no significant impact on the Group’s results of operations for the Relevant Period.

C. UNAUDITED INTERIM FINANCIAL REPORT OF THE GROUP
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2005

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2005			Six months ended 30 June 2004		
		Continued operations \$'000	Discontinued operation \$'000	Total \$'000	Continued operations \$'000 (Restated)	Discontinued operation \$'000 (Restated)	Total \$'000 (Restated)
Turnover	3	70,628	87,105	157,733	49,196	102,610	151,806
Cost of sales		(55,329)	(76,763)	(132,092)	(38,068)	(83,502)	(121,570)
Gross profit		15,299	10,342	25,641	11,128	19,108	30,236
Other revenue		3,112	41	3,153	2,811	12	2,823
Other net income		-	-	-	25	-	25
Impairment losses on trade and other receivables		(20,200)	-	(20,200)	-	-	-
Selling and distribution expenses		(4,679)	(1,111)	(5,790)	(2,149)	(1,090)	(3,239)
Administrative expenses		(19,271)	(2,529)	(21,800)	(15,938)	(1,280)	(17,218)
(Loss)/profit from operations	3	(25,739)	6,743	(18,996)	(4,123)	16,750	12,627
Impairment losses on non-current assets	4	-	(22,235)	(22,235)	-	-	-
Impairment loss on interest in an associate		(1,500)	-	(1,500)	-	-	-
Finance costs		(1,085)	(618)	(1,703)	(720)	(141)	(861)
Share of profits less losses of associates		(3,780)	-	(3,780)	(817)	-	(817)
(Loss)/profit before taxation	5	(32,104)	(16,110)	(48,214)	(5,660)	16,609	10,949
Income tax credit/(expense)	6	396	2,221	2,617	(537)	(1,348)	(1,885)
(Loss)/profit after taxation		(31,708)	(13,889)	(45,597)	(6,197)	15,261	9,064
Attributable to:							
Equity holders of the parent		(31,137)	(9,111)	(40,248)	(6,491)	11,574	5,083
Minority interests		(571)	(4,778)	(5,349)	294	3,687	3,981
(Loss)/profit after taxation		(31,708)	(13,889)	(45,597)	(6,197)	15,261	9,064
(Loss)/earnings per share	8						
Basic (cents)		(5.89)	(1.72)	(7.61)	(1.36)	2.43	1.07
Diluted (cents)		N/A	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2005

(Expressed in Hong Kong dollars)

		At 30 June 2005 \$'000	At 31 December 2004 \$'000 (Restated)
Non-current assets			
Property, plant and equipment			
– Investment properties		6,300	6,300
– Other property, plant and equipment		18,245	70,838
	4	24,545	77,138
Construction in progress	4	–	11,330
Interest in leasehold land held for own use under an operating lease		–	2,348
Intangible assets		831	1,157
Interest in associates	9	57,535	15,715
Investment funds	10	90,483	33,486
Pledged deposits		17,516	17,516
Deferred tax assets		876	137
		191,786	158,827
Current assets			
Inventories	4	2,702	27,714
Trade and other receivables	4, 11	122,862	170,901
Deposits with bank		79,128	126,228
Cash and cash equivalents	4, 12	6,971	74,391
Assets classified as held for sale	4	145,206	–
		356,869	399,234
Current liabilities			
Trade and other payables	4, 13	69,930	112,569
Loans and overdraft	4, 14	60,089	67,791
Tax payable		750	1,439
Liabilities classified as held for sale	4	93,464	–
		224,233	181,799
Net current assets		132,636	217,435

		At 30 June 2005 \$'000	At 31 December 2004 \$'000 (Restated)
Total assets less current liabilities		324,422	376,262
Non current liabilities			
Deferred tax liabilities		3,536	3,427
NET ASSETS		<u>320,886</u>	<u>372,835</u>
CAPITAL AND RESERVES			
Share capital	15	52,864	52,864
Reserves	15	248,712	287,160
Total equity attributable to equity holders of the parent		301,576	340,024
Minority interests	15	19,310	32,811
TOTAL EQUITY		<u>320,886</u>	<u>372,835</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2005

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2005 \$'000	2004 \$'000 (Restated)
Total equity at 1 January:			
Attributable to equity holders of the parent (as previously reported at 31 December)	15	340,024	299,552
Minority interests (as previously presented separately from liabilities and equity at 31 December)	15	<u>32,811</u>	<u>19,723</u>
	15	372,835	319,275
Net loss for the period recognised directly in equity:			
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	15	<u>—</u>	<u>(25)</u>
Net loss not recognised in the income statement		<u>—</u>	<u>(25)</u>
Net (loss)/profit for the period:			
Attributable to equity holders of the parent (as previously reported for six months ended 30 June 2004)	15	(40,248)	5,083
Attributable to minority interests (as previously presented separately in the income statement for six months ended 30 June 2004)	15	<u>(5,349)</u>	<u>3,981</u>
Total recognised income and expense for the period (2004: as restated)		<u>(45,597)</u>	<u>9,064</u>
Dividend paid to minority interests	15	<u>(1,813)</u>	<u>(723)</u>

		Six months ended 30 June	
	<i>Note</i>	2005 \$'000	2004 \$'000 (restated)
Movements in shareholders' equity arising from capital transactions with equity holders of the parent:			
Placing of news shares	15	–	29,946
Placing of warrants	15	1,800	–
		<u>1,800</u>	<u>–</u>
		-----	-----
		1,800	29,946
Movements in shareholders' equity arising from capital transactions with minority interests:			
Acquisition of interests in subsidiaries from a minority shareholder	15	(7,850)	–
Capital contributions from minority interests	15	1,511	–
		<u>(6,339)</u>	<u>–</u>
		-----	-----
		(6,339)	–
Total equity at 30 June		<u><u>320,886</u></u>	<u><u>357,537</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2005

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2005 \$'000	2004 \$'000
Net cash generated from/(used in) operating activities		2,580	(49,069)
Net cash used in investing activities		(82,851)	(6,431)
Net cash generated from financing activities		<u>17,156</u>	<u>59,075</u>
Net (decrease)/increase in cash and cash equivalents		(63,115)	3,575
Effect of foreign exchange rates changes		–	(25)
Cash and cash equivalents at 1 January	12	54,390	48,466
Cash and cash equivalents included in assets classified as held for sale	4	<u>(3,787)</u>	<u>–</u>
Cash and cash equivalents at 30 June	12	<u><u>(12,512)</u></u>	<u><u>52,016</u></u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2005

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 28 September 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2004 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 April 2005.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the group's annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

As disclosed in 2004 annual financial statements, with effect from 1 January 2004, the group has early adopted the following HKFRSs:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in this interim financial report.

(a) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes 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 were 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 recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the group recognises the fair value of the options granted over the vesting period. Otherwise, the group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy has not been applied retrospectively with comparatives restated in accordance with HKFRS 2 as 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 following grants of options:

- (a) all options granted to employees on or before 7 November 2002; and
- (b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

Accordingly, no adjustment was made to the group's opening balance of retained earnings and capital reserves as at 1 January 2005.

Details of the employee share option scheme of the company can be found in the company's annual report for the year ended 31 December 2004 and under the section headed "Share Option Schemes" on page 34.

(b) Non-current assets held for sale and discontinued operations (HKFRS 5)

In prior years, the non-current assets (or disposal group) held for sale were neither classified nor presented as current assets and liabilities and a discontinued operation was recognised at the earlier of when:

- (a) the group enters into a binding sale agreement; and
- (b) the Board of Directors have approved and announced a formal disposal plan.

With effect from 1 January 2005, in order to comply with HKFRS 5, immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable HKFRSs. Then, on initial classification as held for sale, non current assets (or disposal group) are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement, even for assets measured in fair value, as are gains or losses on subsequent remeasurement.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned also may qualify.

The change in accounting policy does not impact on the group's prior-period financial statements. The comparative period's income statement of the group has been restated to comply with the disclosure requirements for a discontinued operation.

(c) Investment properties (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the income statement

In prior years movements in the fair value of the group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 January 2005, all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40.

This change in accounting policies does not have significant impact on the group's results of operations and financial position as the group recorded net revaluation deficits on revaluation of the investment properties in prior years. These net revaluation deficits have already been charged to the income statements of the respective periods.

(ii) Measurement of deferred tax on movements in fair value

In prior years the group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. As there would have been no tax payable on the disposal of the group's investment properties, no deferred tax was provided in prior years.

As from 1 January 2005, in accordance with HK(SIC) Interpretation 21, the group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the group has no intention to sell it and the property would have been depreciable had the group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively, but no adjustment was made to the opening balance of retained earnings as at 1 January 2005 as the effect resulted from the change in accounting policy is not significant to the group's results of operations and financial position.

(d) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS 17 as from 1 January 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1 January 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

The change in accounting policy has been adopted retrospectively, but no adjustment was made to the opening balance of retained earnings as at 1 January 2005 as the effect resulted from the change in accounting policy is not significant to the group's results of operations and financial position.

(e) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

3. SEGMENTAL INFORMATION

Business segments

The entity's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents the sales value of goods supplied to customers and income from the provision of software development and systems integration services.

	Continued operations				Discontinued operation		Unallocated		Consolidated	
	Software development and systems integration services		Sale of integrated circuits and computer softwares		Manufacture and sale of computer related products		2005	2004	2005	2004
For the six months ended 30 June	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	19,092	12,311	51,536	36,885	87,105	102,610	-	-	157,733	151,806
Other revenue from external customers	256	654	97	121	-	-	30	150	383	925
Total	19,348	12,965	51,633	37,006	87,105	102,610	30	150	158,116	152,731
Segment result	(12,060)	(4,029)	4,158	8,622	6,743	16,750			(1,159)	21,343
Unallocated operating income and expenses									(17,837)	(8,716)
(Loss)/profit from operations									(18,996)	12,627

4. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

In May 2005, the group entered into an equity transfer agreement with an independent third party to dispose of the group's entire interests in a business segment engaging in the manufacture and sale of computer related products ("Computer Related Products Segment") at a consideration of approximately \$31,900,000 in view of the deteriorating profit margin as a result of intensified competition. The disposal was completed in July 2005. Accordingly, the related assets and liabilities of the Computer Related Products Segment are presented as a disposal group held for sale. Immediately before classification as disposal group held for sale, based on the disposal proceeds, the carrying amount of the non-current assets within the Computer Related Products Segment was written down by approximately \$22,235,000 to reflect their recoverable value. No impairment losses on the measurement of the disposal group to fair value less cost to sell have been recognised. The operating results of the Computer Related Products Segment are presented as discontinued operation.

The net cash flows attributable to the operating, investing and financing activities of the Computer Related Products Segment during the six months ended 30 June 2005 are set out below:

	Six months ended 30 June	
	2005 \$'000	2004 \$'000
Net cash generated from/(used in) operating activities	4,730	(2,657)
Net cash used in investing activities	(10,363)	(13,248)
Net cash generated from financing activities	5,789	7,233
	<u> </u>	<u> </u>

The carrying amount of major classes of assets and liabilities classified as disposal group held for sale as at 30 June 2005 are analysed as follows:

	At 30 June 2005 \$'000
Assets	
Property, plant and equipment	36,082
Construction in progress	12,265
Inventories	30,993
Trade and other receivables	57,796
Cash and cash equivalents	3,787
Others	4,283
	<u> </u>
	145,206
	<u> </u>
Liabilities	
Trade and other payables	68,319
Loans and overdraft	24,480
Others	665
	<u> </u>
	93,464
	<u> </u>

5. **(LOSS)/PROFIT BEFORE TAXATION**

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2005 \$'000	2004 \$'000
Interest on bank borrowings	1,558	756
Amortisation of land lease premium	38	–
Amortisation of intangible assets	326	224
Depreciation	7,162	3,757
Interest income	(2,408)	(1,864)
	<u> </u>	<u> </u>

6. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2005 \$'000	2004 \$'000
Current tax – PRC		
Tax for the period	464	1,658
Over provision in respect of prior years	–	(310)
	<u>464</u>	<u>1,348</u>
Deferred taxation		
Origination and reversal of temporary differences	(3,081)	502
	<u>–</u>	<u>35</u>
	<u>(2,617)</u>	<u>1,885</u>

No provision for Hong Kong Profits Tax has been made as the group sustained a loss for taxation purposes for the periods ended 30 June 2005 and 2004.

The PRC income tax has been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries and the associates. Certain subsidiaries and associates were granted exemptions and relief from the PRC income tax by the relevant local tax bureau.

The PRC subsidiaries of the group prepared their financial statements in accordance with the PRC accounting standards and regulations (the “PRC GAAP”). Deferred taxation mainly represents the differences between the PRC GAAP and HKFRSs in respect of accounting differences in income and expense recognition.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: \$Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the parent of \$(40,248,000) (six months ended 30 June 2004: profit of \$5,083,000) and the weighted average number of ordinary shares of 528,644,000 (2004: 475,457,000) in issue during the period.

(b) Diluted

The amount of diluted (loss)/earnings per share is not presented as the effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2005 and 2004.

9. INTEREST IN SUBSIDIARIES AND ASSOCIATES

The following new subsidiary company and associate are established/acquired during the six months ended 30 June 2005:

Name of Company	Place of incorporation and operation	Group's effective interest	Paid up/registered capital	Principal activities
山西實達科技軟件系統有限公司	PRC	51%	RMB3,000,000	Provision of software development and systems integration services
Loten Technology Co. Ltd. ("Loten Technology")	PRC	30%	RMB50,000,000	Provision of solution for the management of automatic teller machines

10. INVESTMENT FUNDS

As at 30 June 2005, purchase deposits of approximately RMB60,000,000 was paid for the proposed acquisition of the remaining 70% equity interest in Loten Technology. See also note 19.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	At 30 June 2005 \$'000	At 31 December 2004 \$'000
Current	69,084	100,392
1 to 3 months overdue	5,459	6,743
More than 3 months overdue but less than 12 months overdue	542	8,796
Overdue beyond 1 year	970	4,097
	<hr/>	<hr/>
Total debtors and bills receivable, net of impairment losses	76,055	120,028
Retentions receivable from customers	2,118	3,257
Gross amount due from customers for contract work	12,276	12,598
Prepayments, deposits and other receivables	29,982	23,149
Loans receivable	2,431	11,869
	<hr/>	<hr/>
	122,862	170,901

Credit terms granted by the group to the customers generally range from 30 days to 150 days. However, debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

Terms of loans receivable

Interest is charged at 1.25% to 7.2% per annum. The balance is repayable on or before 30 November 2005.

12. CASH AND CASH EQUIVALENTS

	At 30 June 2005 \$'000	At 31 December 2004 \$'000
Cash at bank and in hand	6,971	74,391
Bank overdraft	(19,483)	(20,001)
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	<u>(12,512)</u>	<u>54,390</u>

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	At 30 June 2005 \$'000	At 31 December 2004 \$'000
Due within 3 months or on demand	9,387	46,026
Overdue 3 months to 1 year	–	30,618
Overdue beyond 1 year	5	467
	<hr/>	<hr/>
Total creditors and bills payable	9,392	77,111
Gross amount due to customers for contract work	3,838	4,769
Receipt in advance	264	498
Other payables and accrued liabilities	56,436	30,191
	<hr/>	<hr/>
	<u>69,930</u>	<u>112,569</u>

14. LOANS AND OVERDRAFT

As at 30 June 2005, the group had banking facilities totalling \$108,622,000 (31 December 2004: \$102,970,000). At 30 June 2005, the banking facilities were utilised to the extent of \$89,436,000 (31 December 2004: \$69,674,000).

15. CAPITAL AND RESERVES

	Attributable to equity holders of the parent									Total equity	
	Share capital	Share premium (Note i)	General reserve (Note ii)	Translation reserve (Note iii)	Land and buildings		Warrant reserve (Note iv)	Retained earnings	Total		Minority interests
					revaluation reserve	reserve					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2004 (Note 2)	44,064	195,909	11,027	1,173	-	-	47,379	299,552	19,723	319,275	
Placing of new shares	8,800	21,146	-	-	-	-	-	29,946	-	29,946	
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	(25)	-	-	-	(25)	-	(25)	
Dividend paid	-	-	-	-	-	-	-	-	(723)	(723)	
Profit for the period	-	-	-	-	-	-	5,083	5,083	3,981	9,064	
At 30 June 2004	<u>52,864</u>	<u>217,055</u>	<u>11,027</u>	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>52,462</u>	<u>334,556</u>	<u>22,981</u>	<u>357,537</u>	
At 1 January 2005 (Note 2)	52,864	217,055	13,180	1,167	2,478	-	53,280	340,024	32,811	372,835	
Transfer between reserves	-	-	110	-	-	-	(110)	-	-	-	
Placing of warrants	-	-	-	-	-	1,800	-	1,800	-	1,800	
Capital contributions from minority interests	-	-	-	-	-	-	-	-	1,511	1,511	
Acquisition of interests in subsidiaries from a minority shareholder	-	-	-	-	-	-	-	-	(7,850)	(7,850)	
Dividend paid	-	-	-	-	-	-	-	-	(1,813)	(1,813)	
Loss for the period	-	-	-	-	-	-	(40,248)	(40,248)	(5,349)	(45,597)	
At 30 June 2005	<u>52,864</u>	<u>217,055</u>	<u>13,290</u>	<u>1,167</u>	<u>2,478</u>	<u>1,800</u>	<u>12,922</u>	<u>301,576</u>	<u>19,310</u>	<u>320,886</u>	

Notes:

(i) Share premium

Under the Bermuda Companies Act 1981 (as amended), the funds in the share premium account are distributable in the form of fully paid bonus shares.

(ii) General reserve

According to the relevant rules and regulations in the PRC, the group's subsidiaries in the PRC should appropriate part of their profits after taxation to general reserve, which can be used to make good losses and to convert into paid-up capital.

(iii) Translation reserve

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries and associates operating outside Hong Kong.

(iv) Warrant reserve

Warrant reserve represents the proceeds received from the issue of warrants of the company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

In January 2005, the company issued 90,000,000 non-listed warrants at an issue price of \$0.02 per warrant by private placement. Each warrant entitles the holder to subscribe for one ordinary share of \$0.1 each at an initial subscription price of \$0.35 per share during the three-year period from the date of allocation and issue of the warrants.

At 30 June 2005, total options under share option schemes of the company to subscribe for 26,881,000 (31 December 2004: 26,881,000) shares remained outstanding. Details of the employee share option schemes of the company can be found in the company's annual report for the year ended 31 December 2004 and under the section headed "Share Option Schemes" on page 34.

16. COMMITMENTS**(a) Commitments under operating leases**

At 30 June 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2005 \$'000	At 31 December 2004 \$'000
Within 1 year	1,203	2,078
After 1 year but within 5 years	198	422
	<u>1,401</u>	<u>2,500</u>

(b) Capital commitments

Capital commitments outstanding at 30 June 2005 not provided for in the interim financial report were as follows:

	At 30 June 2005 \$'000	At 31 December 2004 \$'000
Authorised and contracted for	5,652	13,440
	<u>5,652</u>	<u>13,440</u>

17. CONTINGENT LIABILITIES

Certain buildings held for own use of the group with an aggregate carrying value of \$8,600,000 (31 December 2004: \$8,600,000) were pledged and corporate guarantee of the company was given as security for banking facilities amounting to \$15,000,000 (31 December 2004: \$15,000,000) granted to a subsidiary of a former related company in return for a fee. As at 30 June 2005, the amount of the facilities utilised was \$7,429,000 (31 December 2004: \$788,000).

As at 30 June 2005, the group had contingent liabilities in connection with performance bonds of approximately \$2,808,000 (31 December 2004: \$Nil) issued to secure the settlement of certain payables of a group's customer to an individual third party.

18. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2005, the group made short term advances to an associate in the amount of \$17,101,000. These advances are unsecured, interest free and repayable on demand. As at 30 June 2005, full provision of impairment loss was made on the outstanding balance of the advances totalling \$14,735,000.

19. POST BALANCE SHEET EVENTS

On 27 September 2005, the group entered into a memorandum of understanding with the other shareholders of Loten Technology (the "Vendors") to acquire the remaining 70% equity interest in Loten Technology at a price to be negotiated and agreed between the group and the Vendors but not less than RMB110,000,000.

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

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2005:

	Effective for accounting periods beginning on or after
HKFRS 6, Exploration for and evaluation of mineral resources	1 January 2006
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1 January 2006
HK (IFRIC) 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
Amendments to HKAS 19, Employee benefits – Actuarial Gains and Losses, Group Plan and Disclosures	1 January 2006

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the group will not early apply them when preparing the group's annual financial statements for the year ending 31 December 2005.

The group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the group's results of operations and financial position.

II. INDEBTEDNESS

As at 31 December 2005 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus), the Group had outstanding bank borrowings of approximately HK\$64,384,000, comprising secured bank overdraft of approximately HK\$19,942,000, secured trust receipt loan of approximately HK\$34,827,000 and unsecured bank loans of approximately of HK\$9,615,000.

As at 31 December 2005, the Group had banking facilities of HK\$74,902,000 of which HK\$65,000,000 was secured by the following:

- (i) mortgages over the Group's investment properties with an aggregate carrying value of HK\$6,300,000 as at 31 December 2005;
- (ii) a charge over the Group's fixed deposits with banks of HK\$17,516,000;
- (iii) corporate guarantee given by the Company.

The banking facilities were utilised to the latest of HK\$73,875,000 at 31 December 2005.

Certain land and buildings held for own use of the Group with an aggregate carrying value of HK\$8,600,000 at 31 December 2005 were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$15,000,000 granted to a subsidiary of a former related company. As at 31 December 2005, the amount of the facilities utilised was HK\$7,985,000.

As at 31 December 2005, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$3,875,000.

Save as disclosed above, the Group did not have any outstanding debt securities, term loans (whether guaranteed, unguaranteed, secured or unsecured) mortgages, charges, debentures, loan capital and overdraft or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 December 2005.

III. MATERIAL CHANGE

For the year ended 31 December 2005, the Company has (i) acquired a 30% interest in Loten Technology; (ii) disposed of the manufacture and sale of computer related products business; and (iii) entered into an agreement with the Vendor in relation to the acquisition of 70% interests in the ATM Companies. The relevant changes in the Company's trading and financial position as a result of the abovementioned transactions were disclosed in the circulars of the Company dated 20 April 2005, 23 June 2005 and 30 December 2005 respectively. Save for the abovementioned, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2004, being the date of which the latest audited financial statements of the Group were made up.

IV. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources available to the Group, the Group will have sufficient working capital for its present requirements.

V. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2004

Financial Review

The Group recorded a turnover of HK\$291,041,000 (2003: HK\$154,882,000) for the year ended 31 December 2004, representing an increase of 87.9% as compared with that of 2003. The increase was mainly due to the significant growth of the Group's newly developed sale of integrated circuits and computer software business. The long-term effort of the Group in boosting its software development and systems integration business and manufacturing and sale of computer related products was also gradually paying off, contributing not only to the turning around of the overall performance of the Group during the first half of the year, but also boosting the Group's annual profit to HK\$8,054,000 (2003: loss of HK\$10,108,000).

Business Review

During 2004, the Group improved its operating environment when compared with that of previous year. And its software development and system integration business also improved significantly. Nevertheless, there was a drop in the gross profit rate of its manufacturing and sale of computer related products business. While the sale of its newly developed sale of integrated circuits and computer software business enjoyed satisfactory growth and a great gross profit, its associate, SJTU Sunway Software Industry Limited ("SJTU Sunway") suffered a loss.

During the year, SJTU Sunway continued its strategic business transformation with key focus on its information localisation business. Since greater financial provisions were made to fund the business transformation, SJTU Sunway incurred a loss during the year and dragged down the Group's overall result.

As a whole, the scale of the Group's different business units was still relatively small and the Group's overall result growth was offset by the loss incurred by some of its business segments.

Software Development and Systems Integration

The Group's software development and systems integration business cover mainly social security, healthcare security, hospital information management systems, picture achieving and communication systems and public security immigration and exit control software. During the year, turnover of this business sector was

HK\$55,247,000, representing approximately 19.0% of the Group's total turnover. As compared with the turnover of HK\$30,060,000 in the previous year, the segment's turnover this year increased significantly by 83.8%. This rise was mainly attributable to the Group's having a series of resource integration and cooperative initiatives and its enhanced competitiveness as a result of reinforced internal management and optimised structure. The Group was qualified in the first half of 2004 as a software & technical service provider for the Social Security Management Information System of the Ministry of Labour and Social Security (the "Ministry") in the PRC and in October 2004 as a core member of the employment platform of the Ministry. During the year, the Group also received the CMM3 certification (an industry recognised software sophistication standard). It also made major efforts in improving its current technical skills and nurturing its pool of technical experts, thus boosted both its turnover and operational capability. Accordingly, as expected, the segment experienced rapid growth during the second half of 2004 (turnover of the first half of 2004: HK\$12,311,000).

Manufacture and Sale of Computer Related Products

The Group stepped up its efforts in developing this business segment during the year. These efforts included the successful acquisition of a factory in Fuzhou Mawei and the opening of a new factory in Wuhan. However, with plastic injection processing market becoming increasingly competitive, the gross profit margin of the segment decreased to 12.7% during the year (2003: 17.6%). The competitive market and less than desirable human resources development explained lower than expected growth in production capacity of the segment during the second half of the year. The segment's turnover of the year increased by 14.2% over that of the previous year.

Sale of Integrated Circuits and Computer Software

As for the sale of integrated circuits and computer software business, boasting a healthy profit margin and abundant development potential, it has been the focus of the Group since the first half of 2004. Riding on the Group's extensive experience in software design and the strong demand for integrated circuits from prominent clients, its sales in the first half of 2004 already reached HK\$36,885,000 and its sales for the year totalled at HK\$93,285,000, representing 32.1% of the Group's total turnover. Its profit was stable.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS STATEMENT OF THE GROUP

The accompanying unaudited pro forma adjusted consolidated net tangible assets statement (the "Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement") of FinTronics Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared to illustrate the effect of the proposed rights issue (the "Rights Issue") on the net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2005.

The Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement has been prepared for illustrative purpose only, based on the directors' judgements and assumptions, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The accompanying Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement is prepared based upon the unaudited historical financial information of the Group as set out in Appendix I and adjusted to reflect the effect of the Rights Issue:

	Unaudited consolidated net tangible assets as at 30 June 2005	Estimated Net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per share after the Rights issue
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>		<i>(Note 2)</i>
Net tangible assets	<u>320,055</u>	<u>51,000</u>	<u>0.35</u>

Notes:

1. The unaudited consolidated net tangible assets of the Group as at 30 June 2005 is calculated as follows:

	<i>HK\$'000</i>
Unaudited consolidated net assets of the Group as at 30 June 2005	320,886
Less: Intangible assets	<u>(831)</u>
Unaudited consolidated net tangible assets of the Group as at 30 June 2005	<u>320,055</u>

2. Unaudited consolidated net tangible asset value per share as at 30 June 2005 based on 528,644,000 shares in issue

Unaudited pro forma adjusted consolidated net tangible assets value per share immediately following completion of Rights Issue based on 1,057,288,000 shares to be in issue.

(B) REPORT ON UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS STATEMENT OF THE GROUP

The following is the text of a report, prepared for the sole purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, ShineWing (HK) CPA Limited, Certified Public Accountants, Hong Kong. As described under “Documents available for inspection” in Appendix V to this prospectus, a copy of the following report is available for inspection.



Suites 09-18, 20/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

7 March 2006

The Directors
FinTronics Holdings Company Limited
Units 2003 and 2005
20/F Great Eagle Centre
23 Harbour Road Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets statement (the “Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement”) of FinTronics Holdings Company Limited (the “Company”), and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix II to the prospectus of the Company dated 7 March 2006 (the “Prospectus”), which has been prepared by the Company solely for illustrative purpose. The historical financial information is derived from the unaudited historical financial information of the Group as set out in Appendix I. The basis of preparation of the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement is set out in Appendix II to the Prospectus.

Responsibilities

It is solely the responsibility of the directors of the Company to prepare the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement in accordance with Paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on Pro Forma Financial Information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the historical amounts in the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement with the financial information of the Group as set out in Appendix I to the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement with the directors of the Company.

Our work did not constitute an audit or a review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement .

The Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement is for illustrative purpose only, based on the directors' judgements and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

- the Group had the rights issue actually completed at the dates indicated therein; or
- the Group at any future date or for any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Statement as disclosed pursuant to Paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ShineWing (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong

The following is the full text of an accountants' report on Loten Technology Co., Ltd. extracted from the circular of the Company to the Shareholders dated 30 December 2005 in relation to a very substantial acquisition. The inclusion of the following accountants' report in this prospectus is in compliance with paragraph 31(3)(b) of Part B of Appendix 1 to the Listing Rules.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2005

The Directors
FinTronics Holdings Company Limited
Rooms 2003 – 05, 20/F, Great Eagle Centre,
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our audit report on the financial information relating to Loten Technology Co., Ltd. (“Loten Technology”) in Sections A to C below, including the balance sheets as at 31 December 2002, 2003 and 2004 and 30 June 2005, the income statements, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2002, 2003 and 2004 and the six-month period ended 30 June 2005 (the “relevant period”), and the notes thereto (the “Financial Information”), for inclusion in the circular of FinTronics Holdings Company Limited (the “Company”) dated 30 December 2005 (the “Circular”) in connection with the proposed acquisition of the 70% equity interest in Loten Technology by the Company (the “Acquisition”) as described more fully in the section headed “Sale and Purchase Agreement” in the letter from the Board contained in the Circular. As at the date of this report, Loten Technology was owned as to 30% by a wholly owned subsidiary of the Company and as to 70% by an independent third party.

In addition, we set out below our review report on the comparative financial information of Loten Technology in Sections A to C, including the income statement, the statement of changes in equity and the statement of cash flows for the six-month period ended 30 June 2004, and the notes thereto (the “Comparative Financial Information”), for inclusion in the Circular.

Loten Technology was established with limited liability pursuant to the Company Law of the People's Republic of China ("PRC") on 14 September 2001. The principal activities of Loten Technology are the provision of automatic teller machine ("ATM") services and the related technical support to financial institutions in the PRC.

The statutory financial statements of Loten Technology are prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC. The statutory auditors of Loten Technology was Beijing Senheguang Certified Public Accountants Co., Ltd. (北京森和光會計師事務所有限公司), a firm of certified public accountants registered in the PRC, for each of the three years ended 31 December 2002, 2003 and 2004.

Loten Technology has adopted 31 December as its financial year end date.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Loten Technology (the "Directors") based on the audited financial statements or, where appropriate, unaudited management accounts of Loten Technology (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The Directors are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information of Loten Technology for the relevant period in accordance with Statements of Auditing Standards and Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Loten Technology, 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 Information is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purposes of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the state of affairs of Loten Technology as at 31 December 2002, 2003 and 2004 and 30 June 2005, and the results and the cash flows for the relevant period.

COMPARATIVE FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004

Respective responsibilities of directors and reporting accountants

The Directors are also responsible for the preparation of the unaudited Comparative Financial Information of Loten Technology.

It is our responsibility to form an independent conclusion, based on our review, on the Comparative Financial Information.

Review work performed

For the purpose of this report, we have also reviewed the Comparative Financial Information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquires of management and applying analytical procedures to the Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

Review conclusion

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the Comparative Financial Information for the six-month period ended 30 June 2004.

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

A. FINANCIAL INFORMATION

1. Income statements

	Section B <i>Note</i>	Years ended 31 December			Six-month periods ended 30 June	
		2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (unaudited)
Turnover	2	–	–	314	667	–
Cost of sales		–	–	(293)	(625)	–
		–	–	21	42	–
Selling and distribution expenses		(54)	(333)	(240)	(90)	(116)
Administrative expenses		(977)	(1,228)	(1,448)	(823)	(732)
Loss before taxation	3	<u>(1,031)</u>	<u>(1,561)</u>	<u>(1,667)</u>	<u>(871)</u>	<u>(848)</u>
Income tax credit/(expense)	4	–	1	(394)	(72)	(210)
Loss after taxation		<u>(1,031)</u>	<u>(1,560)</u>	<u>(2,061)</u>	<u>(943)</u>	<u>(1,058)</u>

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

2. Balance sheets

	Section B <i>Note</i>	31 December			30 June
		2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	6	22	4,980	16,965	16,369
Deferred tax assets	10	–	1	–	–
		22	4,981	16,965	16,369
Current assets					
Trade and other receivables	7	45,885	44,464	25,984	25,922
Cash and cash equivalents	8	–	–	101	519
		45,885	44,464	26,085	26,441
Current liabilities					
Trade and other payables	9	68	5,166	439	1,070
Net current assets		45,817	39,298	25,646	25,371
Total assets less current liabilities		45,839	44,279	42,611	41,740
Non-current liabilities					
Deferred tax liabilities	10	–	–	393	465
NET ASSETS		45,839	44,279	42,218	41,275
CAPITAL AND RESERVES					
Registered capital	11	47,170	47,170	47,170	47,170
Reserves	11	(1,331)	(2,891)	(4,952)	(5,895)
Total equity		45,839	44,279	42,218	41,275

3. Statements of changes in equity

	Section B <i>Note</i>	Years ended 31 December			Six-month periods ended 30 June	
		2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (unaudited)
Total equity at 1 January		46,870	45,839	44,279	42,218	44,279
Net loss for the year/period	11	<u>(1,031)</u>	<u>(1,560)</u>	<u>(2,061)</u>	<u>(943)</u>	<u>(1,058)</u>
Total equity at 31 December/30 June		<u>45,839</u>	<u>44,279</u>	<u>42,218</u>	<u>41,275</u>	<u>43,221</u>

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

4. Cash flow statements

	Section B <i>Note</i>	Years ended 31 December			Six-month periods ended 30 June	
		2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (unaudited)
Operating activities						
Loss before taxation		(1,031)	(1,561)	(1,667)	(871)	(848)
Adjustments for:						
– Depreciation		<u>2</u>	<u>5</u>	<u>298</u>	<u>596</u>	<u>43</u>
Operating loss before changes in working capital		<u>(1,029)</u>	<u>(1,556)</u>	<u>(1,369)</u>	<u>(275)</u>	<u>(805)</u>
Decrease in trade and other receivables		978	1,421	1,310	62	847
Increase in trade and other payables		<u>68</u>	<u>145</u>	<u>226</u>	<u>631</u>	<u>96</u>
Net cash from operating activities		<u>17</u>	<u>10</u>	<u>167</u>	<u>418</u>	<u>138</u>
Investing activities						
Payment for purchase of property, plant and equipment		<u>(17)</u>	<u>(10)</u>	<u>(66)</u>	<u>–</u>	<u>(39)</u>
Cash used in investing activities		<u>(17)</u>	<u>(10)</u>	<u>(66)</u>	<u>–</u>	<u>(39)</u>
Net increase in cash and cash equivalents		<u>–</u>	<u>–</u>	<u>101</u>	<u>418</u>	<u>99</u>
Cash and cash equivalents at the beginning of year/period		<u>–</u>	<u>–</u>	<u>–</u>	<u>101</u>	<u>–</u>
Cash and cash equivalents at the end of year/period	8	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>101</u></u>	<u><u>519</u></u>	<u><u>99</u></u>

B. NOTES TO FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) (which include all applicable Hong Kong Accounting Standards (“HKAS”), Statement of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The following standards have been early adopted as at the beginning of the relevant period.

- HKAS 1, Presentation of financial statements;
- 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 16, Property, plant and equipment;
- HKAS 18, Revenue;
- HKAS 19, Employee benefits;
- HKAS 21, The effect of changes in foreign exchange rates;
- HKAS 24, Related party disclosures;
- HKAS 32, Financial instruments: Disclosure and presentation;
- HKAS 36, Impairment of assets;
- HKAS 37, Provisions, contingent liabilities and contingent assets;
- HKAS 39, Financial instruments: Recognition and measurement.

A summary of the principal accounting policies adopted by Loten Technology is set out below.

(b) Basis of preparation

The measurement basis used in the preparation of the Financial Information is historical cost.

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Information and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accounting policies set out below have been consistently applied for all periods presented in preparing the Financial Information.

(c) Property, plant and equipment

- (i) Property, plant and equipment are stated in the balance sheets at cost less accumulated depreciation (see note 1(d)) and impairment losses (see note 1(e)). Where parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.
- (ii) Loten Technology recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to Loten Technology and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.
- (iii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(d) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

ATM machines	10 years
Furniture, fixtures and office equipment	5 years

(e) Impairment of assets

The carrying amounts of Loten Technology's assets, other than deferred tax assets (see note 1(i)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in the income statement whenever the carrying amount of such an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of receivables of Loten Technology carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other asset is the greater of its fair value less costs to sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the period in which the reversals are recognised.

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see 1(e)).

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(h) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to Loten Technology of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of Loten Technology. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to retirement schemes are charged to the income statement as and when incurred.
- (iii) Termination benefits are recognised when, and only when, Loten Technology demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(i) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.
- (iii) Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets also arise from unused tax losses and unused tax credits.

The amount of deferred tax recognised is measured based on the expected manner of realisation 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.

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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Loten Technology 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.

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to Loten Technology and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) ATM services income

Revenue from the provision of ATM services is recognised when the related services are rendered.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(l) Translation of foreign currencies

Foreign currency transactions during the relevant period are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

(m) Related parties

For the purposes of the Financial Information, companies are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control.

(n) Segment reporting

The turnover of Loten Technology is mainly from the provision of ATM services and the related technical support to financial institutions in the PRC. During the relevant period, all revenue recognised by Loten Technology is from the provision of ATM services in the PRC. Accordingly, no segment analysis is provided.

2. TURNOVER

The principal activities of Loten Technology are the provision of ATM services and the related technical support to financial institutions in the PRC.

Turnover represents the revenue earned from the provision of ATM services and the related technical support to financial institutions in the PRC, net of sales tax and surcharges.

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

3. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Years ended 31 December			Six-month periods ended 30 June	
	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (unaudited)
(a) Staff costs					
Salaries, wages and other benefits	131	221	242	178	122
Contributions to defined contribution scheme (<i>Note</i>)	19	32	35	26	17
	<u>150</u>	<u>253</u>	<u>277</u>	<u>204</u>	<u>139</u>
 Average number of employees during the year/period	<u>12</u>	<u>15</u>	<u>21</u>	<u>26</u>	<u>21</u>
 (b) Other items					
Auditors' remuneration	5	5	6	3	3
Depreciation	2	5	298	596	43
Operating lease charges					
– Office premises	377	283	283	231	142
– Motor vehicle	226	212	255	127	127
– Office equipment	151	120	113	47	57
	<u>151</u>	<u>120</u>	<u>113</u>	<u>47</u>	<u>57</u>

Note: Loten Technology is liable to pay contributions to defined contribution schemes organised by the PRC government at the rates of 20% of the standard wages determined by the relevant authorities in the PRC during the relevant period. Accruals were made by Loten Technology at the respective balance sheet dates.

4. INCOME TAX IN THE INCOME STATEMENTS

(a) Taxation in the income statements represents:

Deferred tax

	Years ended 31 December			Six-month periods ended 30 June	
	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (unaudited)
Origination and reversal of temporary differences (<i>Note 10</i>)	–	1	(394)	(72)	(210)
	<u>–</u>	<u>1</u>	<u>(394)</u>	<u>(72)</u>	<u>(210)</u>

Pursuant to the income tax rules and regulations of the PRC, Loten Technology is liable to PRC income tax at a rate of 33%.

No provision has been made for current income tax as Loten Technology did not have assessable income for taxation purpose during the relevant period.

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Years ended 31 December			Six-month periods ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Loss before tax	<u>1,031</u>	<u>1,561</u>	<u>1,667</u>	<u>871</u>	<u>848</u>
Notional tax on loss before tax, calculated at a rate of 33%	340	515	550	287	280
Deferred tax assets not recognised	(79)	(188)	(705)	(183)	(336)
Tax effect of non-deductible expenses	<u>(261)</u>	<u>(326)</u>	<u>(239)</u>	<u>(176)</u>	<u>(154)</u>
Actual tax credit/(expense)	<u>–</u>	<u>1</u>	<u>(394)</u>	<u>(72)</u>	<u>(210)</u>

5. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

No directors' remuneration was paid during the relevant period. There was no agreement under which a director waived or agreed to waive any remuneration during the relevant period.

(b) Individuals with highest emoluments

Details of emoluments paid to the five highest paid individuals are as follows:

	Years ended 31 December			Six-month periods ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Salaries, wages and other benefits	64	69	69	44	35
Contributions to defined contribution scheme	<u>16</u>	<u>17</u>	<u>17</u>	<u>11</u>	<u>9</u>
	<u>80</u>	<u>86</u>	<u>86</u>	<u>55</u>	<u>44</u>

The above individuals' emoluments are within the band of HK\$Nil to HK\$1,000,000.

Other than those disclosed above, no emoluments were paid by Loten Technology to any of the five highest paid individuals as an inducement to join or upon joining or as compensation for loss of office.

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

6. PROPERTY, PLANT AND EQUIPMENT

	ATM machines HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost:			
At 1 January 2002	–	7	7
Additions	–	17	17
	<hr/>	<hr/>	<hr/>
At 31 December 2002	–	24	24
	<hr/>	<hr/>	<hr/>
At 1 January 2003	–	24	24
Additions	4,953	10	4,963
	<hr/>	<hr/>	<hr/>
At 31 December 2003	4,953	34	4,987
	<hr/>	<hr/>	<hr/>
At 1 January 2004	4,953	34	4,987
Additions	12,217	66	12,283
	<hr/>	<hr/>	<hr/>
At 31 December 2004	17,170	100	17,270
	<hr/>	<hr/>	<hr/>
At 1 January 2005	17,170	100	17,270
Additions	–	–	–
	<hr/>	<hr/>	<hr/>
At 30 June 2005	17,170	100	17,270
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At 1 January 2002	–	–	–
Charge for the year	–	2	2
	<hr/>	<hr/>	<hr/>
At 31 December 2002	–	2	2
	<hr/>	<hr/>	<hr/>
At 1 January 2003	–	2	2
Charge for the year	–	5	5
	<hr/>	<hr/>	<hr/>
At 31 December 2003	–	7	7
	<hr/>	<hr/>	<hr/>
At 1 January 2004	–	7	7
Charge for the year	280	18	298
	<hr/>	<hr/>	<hr/>
At 31 December 2004	280	25	305
	<hr/>	<hr/>	<hr/>
At 1 January 2005	280	25	305
Charge for the period	587	9	596
	<hr/>	<hr/>	<hr/>
At 30 June 2005	867	34	901
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 December 2002	–	22	22
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2003	4,953	27	4,980
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2004	16,890	75	16,965
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2005	16,303	66	16,369
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

7. TRADE AND OTHER RECEIVABLES

		31 December			30 June
	<i>Note</i>	2002	2003	2004	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	<i>i</i>	–	–	11	159
Amount due from director	<i>ii</i>	45,885	–	–	25,763
Amount due from shareholder	<i>ii</i>	–	44,464	25,973	–
		<u>45,885</u>	<u>44,464</u>	<u>25,984</u>	<u>25,922</u>

All of the trade and other receivables other than amount due from director/shareholder are expected to be recovered within one year.

Note:

- (i) The ageing analysis of accounts receivable, net of impairment losses, is as follows:

	31 December			30 June
	2002	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	–	–	11	159

Credit terms granted by Loten Technology to the customers are usually one month.

- (ii) The amount due from director and shareholder are unsecured, interest-free and repayable on demand. The director became a shareholder of Loten Technology in May 2003 and subsequently ceased to be a shareholder of Loten Technology in April 2005. Pursuant to a sale and purchase agreement in connection with the Acquisition, the amount due from director totalling HK\$25,763,000 as at 30 June 2005 will be settled on or before the completion of the Acquisition.

Loan to officer of Loten Technology disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name of borrower	Miss Wang Ning Lin
Position	Director
Terms of the loan	
– duration and repayment terms	Repayable on demand
– interest rate	Interest-free
– security	None
Balance of the loan	
	<i>HK\$'000</i>
– at 1 January 2002	49,675
– at 31 December 2002 and 1 January 2003	45,885
– at 31 December 2003 and 1 January 2004	44,464
– at 31 December 2004 and 1 January 2005	25,973
– at 30 June 2005	25,763
Maximum balance outstanding	
	<i>HK\$'000</i>
– during the year ended 31 December 2002	49,675
– during the year ended 31 December 2003	45,885
– during the year ended 31 December 2004	44,464
– during the six-month period ended 30 June 2005	25,973

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

8. CASH AND CASH EQUIVALENTS

	31 December			30 June
	2002	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	–	–	101	519
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All of the cash at bank and in hand is denominated in Renminbi, the lawful currency of the PRC. Renminbi is not freely convertible into foreign currencies and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

9. TRADE AND OTHER PAYABLES

	31 December			30 June
	2002	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Payable for ATM machines purchased	–	4,953	–	–
Salary and staff welfare payable	54	145	244	351
Accrued expenses	14	68	195	719
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

10. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the balance sheets and the movements during the relevant period are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation
	<i>HK\$'000</i>
At 1 January 2002 and 31 December 2002	–
At 1 January 2003	–
Credited to income statements	(1)
At 31 December 2003	(1)
At 1 January 2004	(1)
Charged to income statements	394
At 31 December 2004	393
At 1 January 2005	393
Charged to income statements	72
At 30 June 2005	465

Loten Technology has not recognised deferred tax assets in respect of tax losses of HK\$539,000, HK\$1,109,000, HK\$3,245,000 and HK\$3,800,000 as at 31 December 2002, 2003 and 2004 and 30 June 2005 respectively.

APPENDIX III FINANCIAL INFORMATION ON LOTEN TECHNOLOGY CO., LTD.

11. CAPITAL AND RESERVES

	Registered capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	47,170	(300)	46,870
Net loss for the year	—	(1,031)	(1,031)
At 31 December 2002	47,170	(1,331)	45,839
At 1 January 2003	47,170	(1,331)	45,839
Net loss for the year	—	(1,560)	(1,560)
At 31 December 2003	47,170	(2,891)	44,279
At 1 January 2004	47,170	(2,891)	44,279
Net loss for the year	—	(2,061)	(2,061)
At 31 December 2004	47,170	(4,952)	42,218
At 1 January 2005	47,170	(4,952)	42,218
Net loss for the period	—	(943)	(943)
At 30 June 2005	<u>47,170</u>	<u>(5,895)</u>	<u>41,275</u>

12. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2004, the payable for ATM machines purchased amounted to HK\$17,170,000 was settled by a shareholder as partial repayment of the amount due from that shareholder.

13. RELATED PARTY TRANSACTIONS

During 2001, Loten Technology made cash advances to a director who became a shareholder of Loten Technology in May 2003 and subsequently ceased to be a shareholder in April 2005. The outstanding balances of the cash advances made as at the respective balance sheet dates are set out in Note 7.

14. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December			30 June
	2002	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	283	283	283	1,208
After 1 year but within 5 years	566	283	—	—
	<u>849</u>	<u>566</u>	<u>283</u>	<u>1,208</u>

Loten Technology leases office premises, motor vehicle and office equipment under operating leases. The leases typically run for an initial period from one to four years with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

15. FINANCIAL INSTRUMENTS

Financial assets of Loten Technology include trade and other receivables, and cash and cash equivalents. Financial liabilities of Loten Technology include trade and other payables. Loten Technology did not hold nor issue any financial instruments for trading purposes during the relevant period. Loten Technology did not hold any positions in derivative contracts during the relevant period.

(a) Foreign currency risk

Substantially all the revenue-generating operations of Loten Technology are transacted in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign currencies. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that are determined largely by supply and demand.

(b) Credit risk

As at 30 June 2005, Loten Technology has an amount due from director of HK\$25,763,000. The amount due from director as at 30 June 2005 represented about 95% of total financial assets of Loten Technology as at that date. As disclosed in Note 7, the amount due from director will be settled on or before the completion of the Acquisition.

(c) Interest rate risk

Loten Technology did not expose to any interest rate risk during the relevant period.

(d) Fair value

As at 31 December 2002, 2003 and 2004 and 30 June 2005, the fair values of all financial instruments approximate their carrying amounts due to the nature or short term maturity of these instruments.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Loten Technology in respect of any period subsequent to 30 June 2005.

Cross references in this Appendix to other appendices, unless the context otherwise requires, are to appendices to the circular of the Company to the Shareholders dated 30 December 2005 in relation to a very substantial acquisition.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION**(I) Introduction**

The accompanying unaudited pro forma financial information of the Enlarged Group (the Listed Group (as defined herein) together with ATM Companies (as defined herein) (the "Pro Forma Financial Information") has been prepared to illustrate the effect of the proposed acquisition of the 70% equity interest (the "Acquisition") in Loten Technology Co., Ltd. ("Loten Technology") and Beijing Sun Leader Technology Co., Ltd. ("Beijing SL") (collectively referred to as "ATM Companies") by FinTronics Holdings Company Limited (the "Company", and together with its subsidiaries are referred to as the "Listed Group").

The Pro Forma Financial Information is for illustrative purposes only, based on the directors' judgements and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

- the Enlarged Group had the Acquisition actually completed at the dates indicated therein; or
- the Enlarged Group at any future date or for any future periods.

Pursuant to the sale and purchase agreement entered into between the Company and an independent third party (the "Vendor") dated 6 December 2005, as described more fully in the section headed "Sale and Purchase Agreement" in the letter from the Board contained in the circular of the Company dated 30 December 2005 (the "Circular"), the consideration for the Acquisition is RMB144 million ("Consideration"). As at the date of the Circular, purchase deposits of RMB60 million was paid to the Vendor. The remaining consideration of RMB84 million will be satisfied by cash of RMB54 million and the allotment and issue of 100,000,000 ordinary shares of the Company. Of the RMB54 million cash settlement, RMB30 million will be paid by the Company at completion of the Acquisition while the remaining RMB24 million will be paid by the Company within 90 days from the completion of the Acquisition.

The accompanying unaudited pro forma income statement and unaudited pro forma condensed cash flow statement of the Enlarged Group for the six-month period ended 30 June 2005 illustrate the effect of the Acquisition as if the Acquisition had been completed on 1 January 2005. The accompanying unaudited pro forma balance sheet of the Enlarged Group as at 30 June 2005 illustrates the effect of the Acquisition as if the Acquisition had been completed on 30 June 2005.

The accompanying unaudited Pro Forma Financial Information of the Enlarged Group is prepared based upon the unaudited historical financial information of the Listed Group as set out in Appendix I(C) and the audited historical financial information of Loten Technology as set out in Appendix II of the Circular after incorporating the pro forma adjustments described in the accompanying notes. No historical financial information of Beijing SL is included in the unaudited Pro Forma Financial Information as Beijing SL has not yet commenced operation as at 30 June 2005. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Enlarged Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Listed Group as set out in Appendix I(C), the financial information of Loten Technology as set out in Appendix II and other financial information included elsewhere in the Circular.

APPENDIX IV FINANCIAL INFORMATION OF THE ENLARGED GROUP

(II) Unaudited pro forma income statement of the Enlarged Group

For the six-month period ended 30 June 2005

	The Listed Group Historical HK\$'000	Loten Technology Historical HK\$'000	Pro forma Adjustments HK\$'000	<i>Note</i>	Pro form Enlarged Group HK\$'000
Turnover	157,733	667	-		158,400
Cost of sales	<u>(132,092)</u>	<u>(625)</u>	<u>(1,342)</u>	2	<u>(134,059)</u>
Gross profit	25,641	42	(1,342)		24,341
Other revenue	3,153	-	-		3,153
Impairment losses on trade and other receivables	(20,200)	-	-		(20,200)
Selling and distribution expenses	(5,790)	(90)	-		(5,880)
Administrative expenses	<u>(21,800)</u>	<u>(823)</u>	<u>-</u>		<u>(22,623)</u>
Loss from operations	(18,996)	(871)	(1,342)		(21,209)
Impairment losses on non-current assets	(22,235)	-	-		(22,235)
Impairment loss on interest in an associate	(1,500)	-	-		(1,500)
Finance costs	(1,703)	-	-		(1,703)
Share of profits less losses of associates	<u>(3,780)</u>	<u>-</u>	<u>22</u>	1	<u>(3,758)</u>
Loss before taxation	(48,214)	(871)	(1,320)		(50,405)
Income tax credit/(expense)	<u>2,617</u>	<u>(72)</u>	<u>443</u>	3	<u>2,988</u>
Loss after taxation	<u>(45,597)</u>	<u>(943)</u>	<u>(877)</u>		<u>(47,417)</u>
Attributable to:					
Equity holders of the parent	(40,248)	(943)	(877)		(42,068)
Minority interest	<u>(5,349)</u>	<u>-</u>	<u>-</u>		<u>(5,349)</u>
Loss after taxation	<u>(45,597)</u>	<u>(943)</u>	<u>(877)</u>		<u>(47,417)</u>
Basic loss per share	<u>(7.61)</u>				<u>(6.69)</u>
Weighted average number of shares ('000)	<u>528,644</u>				<u>628,644</u>

APPENDIX IV FINANCIAL INFORMATION OF THE ENLARGED GROUP

(III) Unaudited pro forma balance sheet of the Enlarged Group

As at 30 June 2005

	The Listed Group Historical <i>HK\$'000</i>	Loten Technology Historical <i>HK\$'000</i>	Pro forma Adjustments <i>HK\$'000</i>	<i>Note</i>	Pro forma Enlarged Group <i>HK\$'000</i>
Non-current assets					
Property, plant and equipment					
– Investment properties	6,300	–	–		6,300
– Other property, plant and equipment	18,245	16,369	(3,245)	4	31,369
	<u>24,545</u>	<u>16,369</u>	<u>(3,245)</u>		<u>37,669</u>
Goodwill	–	–	125,861	7	125,861
Intangible assets	831	–	26,847	4	27,678
Interest in associates	57,535	–	22	1	10,458
			(47,099)	6	
Investment funds	90,483	–	(56,604)	5	33,879
Pledged deposits	17,516	–	–		17,516
Deferred tax assets	876	–	–		876
	<u>191,786</u>	<u>16,369</u>	<u>45,782</u>		<u>253,937</u>
Current assets					
Inventories	2,702	–	–		2,702
Trade and other receivables	122,862	25,922	–		148,784
Deposits with bank	79,128	–	(28,302)	5	50,826
Cash and cash equivalents	6,971	519	–		7,490
Assets classified as held for sale	145,206	–	–		145,206
	<u>356,869</u>	<u>26,441</u>	<u>(28,302)</u>		<u>355,008</u>
Current liabilities					
Trade and other payables	69,930	1,070	22,642	5	93,642
Loans and overdraft	60,089	–	–		60,089
Tax payable	750	–	–		750
Liabilities classified as held for sale	93,464	–	–		93,464
	<u>224,233</u>	<u>1,070</u>	<u>22,642</u>		<u>247,945</u>
Net current assets	<u>132,636</u>	<u>25,371</u>	<u>(50,944)</u>		<u>107,063</u>
Total assets less current liabilities	<u>324,422</u>	<u>41,740</u>	<u>(5,162)</u>		<u>361,000</u>
Non current liabilities					
Deferred tax liabilities	3,536	465	7,789	4	11,790
NET ASSETS	<u>320,886</u>	<u>41,275</u>	<u>(12,951)</u>		<u>349,210</u>

APPENDIX IV	FINANCIAL INFORMATION OF THE ENLARGED GROUP
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	The Listed Group Historical <i>HK\$'000</i>	Loten Technology Historical <i>HK\$'000</i>	Pro forma Adjustments <i>HK\$'000</i>	Note	Pro forma Enlarged Group <i>HK\$'000</i>
CAPITAL AND RESERVES					
Share capital	52,864	47,170	10,000	5	62,864
			(47,170)	7	
Reserves	248,712	(5,895)	22	1	267,036
			18,302	5	
			5,895	7	
	301,576	41,275	(12,951)		329,900
Total equity attributable to equity holders of the parent	301,576	41,275	(12,951)		329,900
Minority interests	19,310	-	-		19,310
TOTAL EQUITY	320,886	41,275	(12,951)		349,210

APPENDIX IV FINANCIAL INFORMATION OF THE ENLARGED GROUP

(IV) Unaudited pro forma condensed cash flow statement of the Enlarged Group

For the six-month period ended 30 June 2005

	The Listed Group Historical <i>HK\$'000</i>	Loten Technology Historical <i>HK\$'000</i>	Pro forma Adjustments <i>HK\$'000</i>	<i>Note</i>	Pro forma Enlarged Group <i>HK\$'000</i>
Net cash generated from operating activities	2,580	418	-		2,998
Net cash used in investing activities	(82,851)	-	101	8	(82,750)
Net cash generated from financing activities	17,156	-	-		17,156
Net (decrease)/increase in cash and cash equivalents	(63,115)	418	101		(62,596)
Cash and cash equivalents at 1 January	54,390	101	(101)	8	54,390
Cash and cash equivalents included in assets classified as held for sale	(3,787)	-	-		(3,787)
Cash and cash equivalents at 30 June	<u>(12,512)</u>	<u>519</u>	<u>-</u>		<u>(11,993)</u>
Representing:					
Cash at bank and in hand	6,971	519	-		7,490
Bank overdraft	(19,483)	-	-		(19,483)
	<u>(12,512)</u>	<u>519</u>	<u>-</u>		<u>(11,993)</u>

(V) Notes to unaudited Pro Forma Financial Information

1. The Listed Group acquired 30% equity interest in Loten Technology in May 2005, which has been accounted for as an associate. The adjustment reflects the reversal of the share of loss of Loten Technology for the six-month period ended 30 June 2005 as if the Acquisition had taken place on 1 January 2005.
2. As at the date of this Circular, the fair values to be assigned to the identifiable assets and liabilities of Loten Technology can be determined only provisionally in accordance with Hong Kong Financial Reporting Standard 3 “Business Combinations”. The Listed Group is in the midst of reassessing the fair values of the intangible assets.

The adjustment reflects the amortisation of the provisionally determined intangible assets as if the Acquisition had taken place on 1 January 2005. The provisionally determined intangible assets of approximately HK\$26,847,000 is amortised over a period of 10 years on the straight-line basis.

The Listed Group has also performed an impairment test on the goodwill arising from the Acquisition and concluded that impairment loss is not required.

3. The adjustment reflects the tax effect of the pro forma income statement adjustments described in notes 1 and 2 above.
4. The adjustment reflects the fair value adjustment on the identifiable assets and liabilities, and the related deferred tax effect as if the Acquisition had taken place on 30 June 2005.
5. The adjustment reflects the settlement of Consideration as if the Acquisition had taken place on 30 June 2005. As at the date of the Circular, purchase deposits of RMB60 million was paid to the Vendor. The purchase deposits paid was included in the investment funds. The remaining consideration of RMB84 million will be satisfied by cash of RMB54 million and the allotment and issue of 100,000,000 ordinary shares of the Company. Of the RMB54 million cash settlement, RMB30 million will be paid by the Company at completion of the Acquisition while the remaining RMB24 million will be paid by the Company within 90 days from the completion of the Acquisition.
6. The adjustment reflects the elimination of the 30% equity interest in Loten Technology, which has been accounted for as an associate by the Listed Group as if the Acquisition had taken place on 30 June 2005.
7. The adjustment reflects the recognition of goodwill arising from the Acquisition as if the Acquisition had taken place on 30 June 2005.
8. The adjustment reflects the cashflow effect from the Acquisition as if the Acquisition had taken place on 1 January 2005. The net cash inflow represented the amounts paid less cash and cash equivalents of HK\$101,000 acquired.

The following is the full text of a report on the unaudited pro forma financial information of the Enlarged Group (as defined below) extracted from the circular of the Company to the Shareholders dated 30 December 2005 in relation to a very substantial acquisition. The inclusion of the following accountants' report in this prospectus is in compliance with paragraph 31(3)(b) of Part B of Appendix 1 to the Listing Rules.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2005

The Directors
FinTronics Holdings Company Limited
Units 2003 and 2005
20/F Great Eagle Centre
23 Harbour Road Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of the Enlarged Group (the Listed Group (as defined herein) together with Loten Technology Co., Ltd. ("Loten Technology") and Beijing Sun Leader Technology Co., Ltd ("Beijing SL")) (the "Pro Forma Financial Information") set out in Appendix III(A) of the circular of FinTronics Holdings Company Limited (the "Company", and together with its subsidiaries are referred to as the "Listed Group") dated 30 December 2005 (the "Circular"), which has been prepared by the Company solely for illustrative purposes. The historical financial information is derived from the unaudited historical financial information of the Listed Group as set out in Appendix I(C) and the audited historical financial information of Loten Technology as set out in Appendix II of the Circular. No historical financial information of Beijing SL is included in the unaudited Pro Forma Financial Information as Beijing SL has not yet commenced operation as at 30 June 2005. The basis of preparation of the unaudited Pro Forma Financial Information is set out in the introduction and notes to the unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix III(A).

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on Pro Forma Financial Information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work consisted primarily of comparing the historical amounts in the unaudited Pro Forma Financial Information with the financial information of the Listed Group and Loten Technology as set out in Appendix I(C) and Appendix II respectively, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the Pro Forma Financial Information including but not limited to the proforma goodwill and intangible assets as at 30 June 2005.

The Pro Forma Financial Information is for illustrative purposes only, based on the directors' judgements and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

- the Enlarged Group had the Acquisition actually completed at the dates indicated therein; or
- the Enlarged Group at any future date or for any future periods.

OPINION

In our opinion:

- (a) the unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company, and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this prospectus have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL, OPTIONS AND WARRANTS

(a) Share capital

The authorised and issued share capital of the Company as at the Record Date were, and immediately following completion of the Rights Issue will be, as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
3,000,000,000 Shares as at the Record Date	300,000,000
<i>Issued and fully paid share capital</i>	
528,644,000 Shares in issue as at the Record Date	52,864,400
<i>Agreed to be issued:</i>	
528,644,000 Shares to be issued upon completion of the Rights Issue	52,864,400
<u>1,057,288,000</u> Shares	<u>105,728,800</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. The Company did not have any debt securities in issue as at the Latest Practicable Date.

(b) Share options

Details of the Outstanding Options as at the Latest Practicable Date were as follows:

	Date granted	Period during which options exercisable	Exercise price (HK\$)	Number of options outstanding at the Latest Practicable Date
Directors				
CHU Chi Shing of Room A, 9th Floor, Block 11, Pacific Palisades, Hong Kong	06.07.1999	02.10.1999-05.07.2009	1.08	2,100,000
	17.01.2000	02.01.2001-16.01.2010	1.32	200,000
	04.06.2001	01.10.2001-03.06.2011	0.58	200,000
SZE Wai, Marco of Room 102, Unit 6, Block 2, Ju Long Garden, No. 68 Xin Zhong Jie, Dong Cheng Qu, Beijing, the PRC	04.06.2001	01.10.2001-03.06.2011	0.58	3,500,000
Consultant				
CHIU Chi Shun, Clarence House C, Louissette, 20 Stanley Beach Road, Hong Kong	04.06.2001	01.10.2001-03.06.2011	0.58	3,500,000
Employees				
	06.07.1999	02.10.1999-05.07.2009	1.08	2,881,000
	30.12.1999	02.01.2001-29.12.2009	1.13	100,000
	17.01.2000	02.01.2001-16.01.2010	1.32	650,000
	21.01.2000	02.01.2001-20.01.2010	1.44	560,000
	07.03.2000	02.01.2001-06.03-2010	2.06	40,000
	10.08.2000	02.01.2001-09.08.2010	1.14	200,000
	04.06.2001	01.10.2001-03.06.2011	0.58	1,750,000
				6,181,000

Upon the Rights Issue becoming unconditional, the exercise price of and/or the number of Shares comprised in the Outstanding Options may be subject to adjustments.

(c) Warrants

On 11 January 2005, the Company issued 90,000,000 unlisted warrants conferring the right to subscribe up to HK\$31,500,000 in aggregate for Shares at an issue price of HK\$0.02 per warrant.

Each warrant carries the right to subscribe for one Share at an initial subscription price of HK\$0.35 per Share, subject to adjustment. The subscription right will be exercisable for three years from the date of allotment and issue of the warrants.

(d) General

Save as disclosed above, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

There is no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS**(1) Directors' interests in the Company***(a) Shares*

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the securities of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO, section 341 of the SFO (including interests or short positions which any such Director was taken or deemed to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors

of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company	Capacity	Number and class of securities (note 1)
Sze Wai, Marco	The Company	Interest of a controlled corporation (note 3)	766,759,953 ordinary Shares (L) (note 2)
	The Company	Beneficial interest	3,500,000 ordinary Shares (L) (note 4)
Chu Chi Shing	The Company	Beneficial interest	2,500,000 ordinary Shares (L) (note 4)
Gu Peijian	The Company	Beneficial interest	540,000 ordinary Shares (L)
Song Jing Sheng	The Company	Beneficial interest	24,900,000 ordinary Shares (L) (note 5)

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company.
2. These Shares represent the sum of (a) 132,434,953 Shares held by Leading Value Industrial Limited; (b) 132,434,953 Rights Shares to be provisionally allotted to Leading Value Industrial Limited which it has undertaken to take up under the Rights Issue; and (c) 501,890,047 Rights Shares underwritten by Leading Value Industrial Limited pursuant to the Underwriting Agreement assuming that all Outstanding Options and Outstanding Warrants have been exercised on or before the Record Date.
3. Leading Value Industrial Limited is a company wholly owned by Sze Wai, Marco.
4. These Shares were the respective number of Shares which would fall to be allotted and issued upon exercise in full of the options granted to each of Sze Wai, Marco and Chu Chi Shing under the share option scheme of the Company.
5. Included in these Shares were (i) 18,900,000 issued Shares and (ii) 6,000,000 Shares which would fall to be allotted and issued pursuant to the exercise of subscription rights attaching to the unlisted warrants issued to Song Jing Sheng.

(2) Directors' interests in assets of the Company

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(3) Directors' service agreements

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(4) Other Director's interests

As at the Latest Practicable Date, save for the Underwriting Agreement in which Mr. Sze Wai, Macro was interested, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Number of ordinary shares <i>(note 1)</i>	Capacity	Approximate percentage of interest
Leading Value Industrial Limited	766,759,953 (L) <i>(note 2)</i>	Beneficial owner	145.04%
Fujian Start Computer Group Company Limited	46,602,000 (L)	Interest of a controlled corporation <i>(note 3)</i>	8.82%

Notes:

- The letter "L" represents the entity's interests (i.e. long positions within the meaning of the SFO) in the shares.
- These Shares represent the sum of (a) 132,434,953 Shares held by Leading Value Industrial Limited; (b) 132,434,953 Rights Shares to be provisionally allotted to Leading Value Industrial Limited which it has undertaken to take up under the Rights Issue; and (c) 501,890,047 Rights Shares underwritten by Leading Value Industrial Limited pursuant to the Underwriting Agreement assuming that all Outstanding Options and Outstanding Warrants have been exercised on or before the Record Date.
- These Shares are registered in the name of Interstar Holdings Limited, which is a wholly owned subsidiary of Fujian Start Computer Group Company Limited whose "A" shares are listed on the Shanghai Stock Exchange.

- (b) As at the Latest Practicable Date, the following entities were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

Name of member of the Group	Name of entity	Approximate percentage
Anhui Start Technology & Systems Integration Co., Ltd.	Hefei Information Investment Co., Ltd.	49%
Shanxi Start Technology Software System Co., Ltd.	Da Ting Shi Yuan Da Software Engineering Limited Liability Company	40%

- (c) Save as disclosed in this paragraph and in the paragraph headed “Disclosure of interests” above, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Save as disclosed herein, based on the register kept by the Company pursuant to the provisions of the SFO, there was no person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of Shares.

5. PARTICULARS OF THE DIRECTORS

(a) Name and address

Name	Address
<i>Executive Directors</i>	
Sze Wai, Marco	Room 102, Unit 6, Block 2, Ju Long Garden, No. 68 Xin Zhong Jie, Dong Cheng Qu, Beijing, the PRC
Chu Chi Shing	Room A, 9th Floor, Block 11, Pacific Palisades, Hong Kong
Song Jing Sheng	Room 2010, Building 2, No. 51, Wai Guan Xie Street, An Wai, Chao Yang District, Beijing, the PRC
Gu Peijian	1# 101 Shida Apartment, Fuyu District, Gulou, Fuzhou, the PRC
<i>Independent non-executive Directors</i>	
Wong Po Yan	C1, 16th Floor, 41A Stubbs Road, Hong Kong
Mao Zhenhua	No.607, 20th Floor, South Lane, Zhuan Jiao Building, Chao Yang District, Beijing, the PRC
Chong Yiu Kan, Sherman	Flat E, 12th Floor, Block 5, Juniper Mansions, Whampoa Garden, Hunghom, Kowloon, Hong Kong

(b) Qualification and positions held

Executive Directors

Mr Sze Wai, Marco, aged 40, is the Chairman of the Company. He joined the Group in February 2001. Mr Sze has over 15 years of experience in investing in Hong Kong and China. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading. He is responsible for formulating the Group's business strategies.

Mr Chu Chi Shing, aged 38, is an executive Director and Chief Executive Officer of the Company. He joined the Group in June 1998. Mr Chu graduated from Shanghai Jiaotong University with a bachelor degree in Computer Science. Mr Chu has extensive experience in the computer industry. He is responsible for the Group's business operations and also responsible for the implementation of the Group's business strategies and policies and investors' relationships.

Mr Song Jing Sheng, aged 48, graduated from the postgraduate school of Chinese Academy of Social Sciences majoring in Finance in July 1998. He has extensive experience in the banking and finance industry in the PRC. Mr Song was an independent non-executive director of SJTU Sunway Software Industry Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr Song joined the Group in May 2005.

Mr Gu Peijian, aged 39, is an executive Director. He re-joined the Group in September 2004. He obtained a master degree from Zhongguo Guoli Huaqiao University. He has 15 years of experience in the computer industry

Independent non-executive Directors

Mr Wong Po Yan, aged 82, is an independent non-executive Director. He joined the Group in June 1998. He graduated from the National University of Amoy with a bachelor of science degree, and was awarded honorary doctorate degree in Business Administration and Social Sciences respectively by the City University of Hong Kong and the Hong Kong Baptist University. Mr Wong was a member of the Drafting Committee of Basic Law and a member of the Legislative Council for nine years. Mr Wong was also a board member of Hong Kong Trade Development Council ("HKTDC"), a board member of the Trade Advisory Board, chairman of HKTDC's China Advisory Committee, a member of the Preliminary Working Committee of the Preparatory Committee for the Hong Kong Special Administrative Region, chairman of the Airport Authority and was a chairman of the Nuclear Safety Consultative Committee for Guangdong Daya Bay Nuclear Power Station.

Mr Mao Zhenhua, aged 42, is an independent non-executive Director. He joined the Group in February 2001. Mr Mao graduated from Wuhan University with a doctorate in Economics. Mr Mao is currently the Board Chairman and Chief Executive Officer of China Chengxin International Credit Rating Company Limited. He has extensive experience in investment banking and the management of listed companies in Hong Kong. Mr Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council. He was also director and chief executive of several other companies listed in the Stock Exchange.

Mr Chong Yiu Kan, Sherman, aged 42, is an independent non-executive Director. He joined the Group in September 2004. Mr Chong obtained a master degree in Business Administration from The University of Hong Kong. He is a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants. He has over 17 years of working experience in auditing, accounting, taxation and management consultancy. He is also an independent non-executive director of China Conservational Power Holdings Limited whose shares are listed on the Stock Exchange.

6. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	Units 2003 and 2005 20th Floor Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Company secretary	Mr. Chan Ying Kay <i>a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants</i>
Qualified accountant	Mr. Chan Ying Kay <i>a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants</i>
Authorised representatives	Mr. Sze Wai, Marco Room 102, Unit 6 Block 2, Ju Long Garden No. 68 Xin Zhong Jie Dong Cheng Qu Beijing, the PRC Mr. Chu Chi Shing Room A, 9th Floor Block 11, Pacific Palisades Hong Kong

Share registrar in Hong Kong	Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Legal advisers to the Company in relation to the Rights Issue	<i>As to Hong Kong law</i> Chiu & Partners 41st Floor Jardine House 1 Connaught Place Hong Kong <i>As to Bermuda law</i> Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central, Hong Kong
Auditors	KPMG Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road Central, Hong Kong Citic Ka Wah Bank Limited 232 Des Voeux Road Central, Hong Kong

7. EXPERT

The following is the qualification of the expert who has given an opinion, which is contained in this prospectus:

ShineWing (HK) CPA Limited Certified public accountants

As at the Latest Practicable Date, ShineWing (HK) CPA Limited did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2004, the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, ShineWing (HK) CPA Limited did not have any holding in the securities in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

ShineWing (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter and/or report and/or reference to its name, in the form and context in which they respectively appear.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries

9. MATERIAL CONTRACTS

During the two years immediately preceding the date of this prospectus, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group and are or may be material:

- (a) a placing agreement dated 24 March 2004 and entered into between the Company and Guotai Junan Securities (Hong Kong) Limited in relation to a placing, on a best effort basis, of up to 88,000,000 new Shares at HK\$0.35 per Share;
- (b) an equity transfer agreement dated 23 April 2004 entered into between Star Gain Holdings Limited ("**Star Gain**"), a joint venture partner of the Company, and Stepping Stones Limited ("**Stepping Stones**"), a wholly owned subsidiary of the Company, in relation to the acquisition by Stepping Stones of 49% of the entire registered capital of 福州實達巨龍信息技術有限公司 (Fuzhou Start Dragon Information Technology Company Limited) at a consideration of RMB2,090,000 (equivalent to approximately HK\$1,969,000);
- (c) an equity transfer agreement dated 15 June 2004 and entered into between Chatex Investment Limited ("**Chatex**"), a wholly owned subsidiary of the Company, and Start-tech (Fujian) Software and System Co., Ltd. ("**Start-tech (Fujian)**"), a 87.8% owned subsidiary of the Company, in relation to the disposal by Chatex and the acquisition by Start-tech (Fujian) of 39% interests in Fuqing Plastics at a consideration of RMB16,300,000 (equivalent to approximately HK\$15,377,000);
- (d) a placing agreement dated 15 December 2004 and entered into between the Company and ICEA Capital Limited in relation to a placing, on a best effort basis, of warrants conferring the right to subscribe up to HK\$31,500,000 (value of shares) in aggregate for Shares at an issue price of HK\$0.02 per warrant;

- (e) an equity transfer agreement dated 17 February 2005 and entered into between Star Gain and Stepping Stones in relation to the acquisition by Stepping Stones of 12.2% in Start-tech (Fujian) at a consideration of HK\$9,000,000;
- (f) a sale and purchase agreement dated 29 March 2005 and entered into between the Company and two independent third parties in relation to the acquisition by the Company of 30% direct or indirect interests in Loten Technology at a consideration of RMB50,000,000 (equivalent to approximately HK\$47,170,000);
- (g) an equity transfer agreement dated 2 May 2005 and entered into between the Company (as vendor) and Smart Eastern International Limited (as purchaser) in relation to the disposal of the Group's entire interests in Fuqing Fujie Plastics Co., Ltd., Fuzhou Roong Thavorn Plastics Co., Ltd., Wuhan Fujie Plastics Co., Ltd. and Chatex Investment Limited at an aggregate consideration of RMB33,800,000;
- (h) the Sale and Purchase Agreement;
- (i) the Underwriting Agreement; and
- (j) the supplemental agreement dated 15 February 2006 to the Underwriting Agreement whereby certain dates set out in the Underwriting Agreement in relation to the Rights Issue were postponed.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK\$1.86 million and will be payable by the Company.

11. BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this prospectus, together with copies of the Provisional Allotment Letter, Excess Application Form and the consent letter of ShineWing (HK) CPA Limited, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form, has been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during 9:30 a.m. to 5:00 p.m. on Monday to Friday at the principal place of business of the Company in Hong Kong at Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this prospectus up to and including 24 March 2006:

- (1) the Circular;
- (2) the memorandum of association and bye-laws of the Company;
- (3) the report from ShineWing (HK) CPA Limited on the unaudited pro forma consolidated net tangible assets statement of the Group, the text of which is set out on pages 99 to 100 of this prospectus;
- (4) the written consent referred to under the section headed "Expert" in this appendix;
- (5) the material contracts referred to under the section headed "Material Contracts" in this appendix;
- (6) the annual reports of the Company for each of the three financial years ended 31 December 2004; and
- (7) a copy of each of the circulars of the Company dated 11 March 2005, 20 April 2005, 23 June 2005 and 30 December 2005 respectively, being the circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued by the Company since 31 December 2004.