THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shenzhen High-Tech Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

SHENZHEN HIGH-TECH HOLDINGS LIMITED
深 圳 科 技 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 106)

VERY SUBSTANTIAL DISPOSAL

DISPOSAL OF 100% DIRECT INTEREST IN DAWNING TIANYAN COMPANY AND 50% DIRECT INTEREST IN BEIJING DAWNING COMPANY

A notice convening the special general meeting of Shenzhen High-Tech Holdings Limited (the "Company") to be held at Units 1904-1906, 19th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 26th July, 2006 at 10:00 a.m. is set out on pages 132 to 133 of this circular. Whether or not you intend to attend and vote at the special general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the branch share registrars of the Company, Standard Registrars Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting(s) should you so wish.

30th June, 2006

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DEFINITIONS

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

"associate(s)"	has the meaning ascribed thereto in the Listing Rules;
"Beijing Dawning Company"	means 曙光信息產業(北京)有限公司 (Dawning Information Industry (Beijing) Limited), a Sino-foreign joint venture company incorporated under the laws of PRC, whose registered address is located at 北京市海淀區中關村科學院南路6號 (6 Ke Xue Yuan Nan Lu, Zhong Guan Cun, Hai Dian Qu, Beijing City, China);
"Board"	means the board of Directors;
"China Dawning Company"	means China Dawning Information Industry Group Limited (中國曙光信息產業集團有限公司), a limited company incorporated under the laws of Hong Kong, whose registered address is located at Rooms 1904-1906, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong and which is a wholly-owned subsidiary of the Company and is principally engaged in investment holding;
"Company"	means Shenzhen High-Tech Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
"Completion"	means completion of the Equity Transfer Agreement in accordance with its terms and conditions;
"Consideration"	means RMB95,000,000 (equivalent to approximately HK$91,346,154), being the purchase price for the Dawning Interest, particulars of which are stated under the paragraph "Consideration" of this circular;
"Dawning Company"	means Dawning Information Industry (Shenzhen) Limited (曙光信息產業(深圳)有限公司), a limited company incorporated under the laws of PRC, whose registered address is located at 15th Floor, Dawning Building, 12 Ke Ji Road South, High-Tech Zone, Shenzhen, PRC, and which is a wholly-owned subsidiary of the Company and is principally engaged in manufacture and sale of high-tech computers and servers;

"Dawning Interest"	means 100% of the registered capital of Dawning Tianyan Company currently held by Dawning Company and Shenke Company (Dawning Tianyan Company in turn holds 50% of the registered capital of Beijing Dawning Company and 62.5% of Dawning Novotech) and 50% of the registered capital of Beijing Dawning Company currently held by China Dawning Company;
"Dawning Novotech"	means 北京曙光創新科技有限公司 (Beijing Dawning Novotech Co., Ltd.), a Sino-foreign equity joint venture incorporated under the laws of the PRC; as at the date of this circular, Dawning Novotech is held as to 62.5% by Dawning Tianyan Company, 7.5% by All Win International Development Ltd, 20.625% by Mitchell Enterprises Limited and 9.375% by 成華實業有限公司 (Chenghua Industrial Limited) and is principally engaged in the development of business-level network storage systems and the provision of professional technical advice, program designing and structural planning;
"Dawning Tianyan Company"	means Beijing Dawning Tianyan Information Technology Company Limited (北京曙光天演信息技術有限公司), a limited company incorporated under the laws of PRC, whose registered address is located at 北京市海澱區中關村科學院南路6號 (6 Ke Xue Yuan Nan Lu, Zhong Guan Cun, Hai Dian Qu, Beijing City, China);
"Directors"	means the directors of the Company;
"Disposal"	means the sale of the Dawning Interest by the Vendors to Tianjin Dawning Company pursuant to the Equity Transfer Agreement;
"Equity Transfer Agreement"	means the equity transfer agreement dated 29th May, 2006 entered into between the Vendors and Tianjin Dawning Company in relation to the Disposal;
"Group"	means the Company and its subsidiaries;

"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"independent third party(ies)"	means person(s) who, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, is/are third party(ies) independent of and is/are not connected person(s) of the Company and its subsidiaries, its directors, chief executives, promoters, supervisors or substantial shareholders or their respective associates;
"Latest Practicable Date"	means 29th June, 2006, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	means the People's Republic of China, for the purpose of this circular excluding Hong Kong, Macau Special Administrative Region and Taiwan region;
"Remaining Group"	means the Group after completion of the Disposal;
"RMB"	means Renminbi, the lawful currency of the PRC;
"SFO"	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	means the special general meeting of the Company to be held for the purpose of approving, inter alia, the Disposal;
"Share(s)"	means the share(s) in the capital of the Company;
"Shareholder(s)"	means the registered holder(s) of the Shares;

"Shenke Company"	means 深科高新實業(深圳)有限公司 (Shenke High-Tech Industrial (Shenzhen) Limited), a limited company incorporated under the laws of PRC, whose registered address is located at 15th Floor, Dawning Building, 12 Ke Ji Road South, High-Tech Zone, Shenzhen, PRC and which is a wholly-owned subsidiary of the Company and is principally engaged in property leasing;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Tianjin Dawning Company"	means 天津曙光計算機產業有限公司 (Tianjin Dawning Computer Industry Limited), a limited company incorporated under the laws of the PRC, whose registered address is located at 1st to 3rd Floor, Block L, 6 Hai Tai Development 6th Avenue, Hai Tai Lu Se Industrial Base, Hua Yuan Industrial Park, Tianjin, PRC and its shareholders are Institute of Computing Technology, Chinese Academy of Sciences (中國科學院計算技術研究所) (48.3%), 天津海泰投資擔保有限責任公司 (Tianjin Haitai Investment Guarantee Company Limited) (20%), 北京市曙光計算機公司 (Beijing Dawning Computer Company) (10%) which is a shareholder of both Tianjin Dawning Company and the Company holding 224,234,998 Shares (representing approximately 1.30% of the issued share capital of the Company), Shi Zhong (石忠) (16.7%) and Huang Jinghao (黃璟昊) (5%) and is principally engaged in the development, consultation, servicing, transfer and training of software technology; manufacturing, wholesaling and retailing of computers and its external parts and software; integration of computer system and property management; and
"Vendors"	means China Dawning Company, Dawning Company and Shenke Company.

SHENZHEN HIGH-TECH HOLDINGS LIMITED
深圳科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 106)

Executive Directors:
WONG Chung Tak *(Chairman)*
DENG Wenyun *(Standing Vice President)*
TSE Kam Fai

Non-executive Directors:
CHEN Chao
WONG Ngo, Derick

Independent Non-executive Directors:
LEE Kuo Ching, Stewart
LIU Sing Piu, Chris
CHONG Kally

Registered Office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Units 1904-1906
19th Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

30th June, 2006

To the shareholders of the Company

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL

DISPOSAL OF 100% DIRECT INTEREST IN DAWNING TIANYAN COMPANY AND 50% DIRECT INTEREST IN BEIJING DAWNING COMPANY

I. INTRODUCTION

Reference is made to the announcement dated 6th June, 2006 issued by the Company in which it was announced that on 29th May, 2006, the Vendors which are three wholly-owned subsidiaries of the Company as vendors entered into the Equity Transfer Agreement with Tianjin Dawning Company as purchaser, pursuant to which the Vendors agreed to sell the Dawning Interest to Tianjin Dawning Company for a total consideration of RMB95,000,000 (equivalent to approximately HK$91,346,154). As at the Latest Practicable Date, the Equity Transfer Agreement had not been completed. The Completion shall take place on completion of the registration formalities of the Disposal of the Dawning Interest from the Vendors to Tianjin Dawning Company under the Equity Transfer Agreement by the State Administration for Industry and Commerce. As at the Completion, Tianjin Dawning Company will own 100% and 100% (50% of which are held indirectly through its wholly-owned subsidiary Dawning Tianyan Company) respectively, of the registered capital of Dawning Tianyan Company and Beijing Dawning Company. Shenke Company will remain a wholly owned subsidiary of the Company. Upon Completion, the Company will dispose of 62.5% interest in Dawning Novotech held by Dawning Tianyan Company and therefore Dawning Novotech will cease to be a subsidiary of the Company. The remaining 20.625% interest in Dawning Novotech held by the Company will be treated as other investment in the consolidated accounts of the Company as the Company will no longer have the significant control in the Dawning Novotech.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. No Shareholder (except 北京市曙光計算機公司 (Beijing Dawning Computer Company), which is a shareholder of both Tianjin Dawning Company (10%) and the Company (1.30%), and its associates) will be required to abstain from voting in respect of the proposed resolution to approve the Disposal at the SGM.

The purpose of this circular is to inform the Shareholders of the terms of the Disposal and the Equity Transfer Agreement, the reasons for the Disposal, and to provide the Shareholders with the notice of SGM and other information as required under the Listing Rules.

II. THE EQUITY TRANSFER AGREEMENT

Date

29th May, 2006

Parties

The Equity Transfer Agreement was entered into by China Dawning Company, Dawning Company and Shenke Company, as vendors, and Tianjin Dawning Company, as purchaser in respect of the Disposal.

Save for the facts that (i) Mr. Li Guojie, a director and the legal representative of the Vendors (except Shenke Company), is also a director of Tianjin Dawning Company, i.e. Mr. Li holds common directorship between the Group at subsidiary level and Tianjin Dawning Company; (ii) Mr. Fan Jianping, a director of Beijing Dawning Company and Dawning

Tianyan Company, is also the legal representative and a director of Tianjin Dawning Company, i.e. Mr. Fan holds common directorship between the Group at subsidiary level and Tianjin Dawning Company, and (iii) 北京市曙光計算機公司 (Beijing Dawning Computer Company), is a shareholder of both Tianjin Dawning Company (10%) and the Company (1.30%); the Company confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tianjin Dawning Company and its ultimate beneficial owners are independent third parties not connected with the Group, its directors, chief executive or substantial shareholders or their respective associates and the Company's connected persons.

Neither Mr. Li Guojie nor Mr. Fan Jianping has any shareholdings in the Company, the Vendors or Tianjin Dawning Company or their respective subsidiaries or associated companies.

Disposal

Subject to the terms and conditions of the Equity Transfer Agreement, the Vendors agreed to transfer the Dawning Interest to Tianjin Dawning Company, and Tianjin Dawning Company agreed to accept the transfer of the Dawning Interest, for the Consideration.

Consideration

Pursuant to the Equity Transfer Agreement for acquisition of the Dawning Interest under the Disposal, the Consideration is RMB95,000,000 (equivalent to approximately HK$91,346,154) and is payable by Tianjin Dawning Company to China Dawning Company as to RMB50,000,000 (equivalent to approximately HK$48,076,923), Dawning Company as to RMB36,000,000 (equivalent to approximately HK$34,615,385) and Shenke Company as to RMB9,000,000 (equivalent to approximately HK$8,653,846). The Consideration is based on the combined net asset value of the Dawning Interest as at 31st December, 2005 plus a premium. As at 31st December, 2005, there was not a corresponding corporate grouping which represented the Dawning Interest and for the purpose of determining the combined net asset value of the Dawning Interest, a pro forma treatment was adopted. The pro forma combined net asset value of Dawning Interest as at 31st December, 2005 was approximately RMB88,637,000. The amount of premium added was determined at RMB6,363,000 (which represents approximately 7.2% of the pro forma combined net asset value of Dawning Interest) after arm's length negotiations between the Vendors and Tianjin Dawning Company. Out of the RMB45,000,000 (equivalent to approximately HK$43,269,230) paid for the acquisition of interests in Dawning Tianyan Company, RMB36,000,000 (equivalent to approximately HK$34,615,385) i.e. 80% of which will be paid to Dawning Company and the remaining RMB9,000,000 (equivalent to approximately HK$8,653,846) i.e. 20% of which will be paid to Shenke Company, which distribution is based on the respective interests held by Dawning Company and Shenke Company in Dawning Tianyan Company. The Consideration was determined after arm's length negotiations between the Vendors and Tianjin Dawning Company. It is a condition precedent (as set out in a later section of this circular) to the Equity Transfer Agreement that a valuation report shall be issued by an independent valuer or certified public accountants appointed by the Vendors to the effect that the value of Dawning Tianyan Company and Beijing Dawning Company is not less than RMB91,000,000 (equivalent to approximately HK$87,500,000). The Vendors have appointed Lam, Kwok, Kwan & Cheng C.P.A. Limited, a Hong Kong certified public accountants firm (the "Valuer") to issue the aforesaid valuation report (the "Valuation Report") and its was issued on 29th June, 2006.

According to the Valuation Report, in arriving at their opinion of the market value of the Dawning Interest, the Valuer has relied on the financial statements of Dawning Tianyan Company, Beijing Dawning Company and Dawning Novotech and certain assumptions as follows:

- there will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation

- there will be no major changes in the current taxation law in the areas in which the company carries on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with

- the inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing

- there will be no major business disruptions through international crises, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business

- the company will remain free from claims and litigation against the business or its customers that will have a material impact on value

- the business is unaffected by any statutory notice and that operation of the business gives, or will give, no rise to a contravention of any statutory requirements

- the business is not subject to any unusual or onerous restrictions or encumbrances

The Valuer's opinion of value was arrived at after taking into consideration the two generally accepted approaches to values, namely,

(a) Cost approach – considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from age, wear and tear, or obsolescence present.

(b) Market Comparative Sales Approach – considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Asset for which there is an established secondhand market comparable is best appraised by this approach.

The Valuer concluded that the fair market value of the Dawning Interest as at 31st March, 2006 is reasonably stated by the amount RMB92,432,700. The Consideration of RMB95,000,000 is higher than the aforesaid valued fair market value by RMB2,567,300.

Pursuant to the Equity Transfer Agreement, Tianjin Dawning Company will, pay the Vendors the Consideration in accordance with the following manner:

(a) upon signing of the Equity Transfer Agreement, pay the Vendors RMB24,000,000 (equivalent to approximately HK$23,076,923) and within ten days from the date of the Equity Transfer Agreement, pay the Vendors RMB4,500,000 (equivalent to approximately HK$4,326,923), totaling RMB28,500,000 (equivalent to approximately HK$27,403,846) which amounts to 30% of the Consideration as deposit to the Equity Transfer Agreement;

(b) on or before three working days after the fulfillment of all conditions as specified in the paragraph entitled "Conditions" in this circular, pay the Vendors 40% of the Consideration, in the sum of RMB38,000,000 (equivalent to approximately HK$36,538,462); and

(c) on or before six months after the fulfillment of all conditions as specified in the paragraph entitled "Conditions" in this circular, pay the Vendors 30% of the Consideration, in the sum of RMB28,500,000 and it is further agreed that if Tianjin Dawning Company fails to make such payment within the above six months period, it is required to pay an additional yearly interest of 5% which is to be calculated on day to day basis until the date of the final payment of such 30% Consideration of RMB28,500,000 (equivalent to approximately HK$27,403,846) but in any event such payment shall not be later than nine months after the fulfillment of all conditions as specified in the paragraph entitled "Conditions" in this circular.

On or before 10 working days after payment of 70% of the Consideration pursuant to the sub-paragraphs (a) and (b) above, Dawning Tianyan Company and Beijing Dawning Company will, in accordance with relevant laws and regulations, apply for registration and approval of the Disposal of the Dawning Interest from the Vendors to the Tianjin Dawning Company with the original approval authorities of Dawning Tianyan Company and Beijing Dawning Company and the State Administration for Industry and Commerce. The Disposal, which involves transfer of interests, is required to be approved by the original approving authorities of Dawning Tianyan Company and Beijing Dawning Company. The Completion will take place upon completion of the formalities under the State Administration for Industry and Commerce in respect of the Disposal, further details of which are provided under the paragraph entitled "Completion".

As at the date of this circular, Tianjin Dawning Company has paid the Vendors RMB28,500,000 in cash pursuant to sub-paragraph (a) above.

Conditions

The Equity Transfer Agreement shall be subject to the fulfillment of the following conditions:

(a) the signing of the Equity Transfer Agreement by the authorized representatives of all parties to the Equity Transfer Agreement;

(b) a valuation report issued by an independent valuer or certified public accountants appointed by the Vendors to the effect that the value of Dawning Tianyan Company and Beijing Dawning Company is not less than RMB91,000,000 (equivalent to approximately HK$87,500,000);

(c) the approval of the Disposal by each party to the Equity Transfer Agreement, including approval by the board of directors or shareholders' general meetings in accordance with their respective articles of association;

(d) the approval of the Disposal by the board of directors of Dawning Tianyan Company and Beijing Dawning Company;

(e) the approval of the Disposal by Dawning Tianyan Company, the other shareholder of Beijing Dawning Company and the undertaking given by Dawning Tianyan Company to waive the pre-emptive rights of the Disposal;

(f) the approval of the Disposal by the original approval authorities of Dawning Tianyan Company and Beijing Dawning Company; and

(g) the approval of the Disposal by the Shareholders at the forthcoming SGM in accordance with the Listing Rules.

Further, the parties to the Equity Transfer Agreement agree to use their best endeavours to facilitate the fulfillment of all conditions set out above on or before 31st October, 2006. However, if any of the above conditions is not fulfilled on or before 31st October, 2006, the Equity Transfer Agreement shall lapse automatically, without prejudice to the rights of the parties to claim against any breach of the Equity Transfer Agreement. The Vendors shall return the deposit and pay relevant accrued interests to Tianjin Dawning Company within five working days from the lapse of the Equity Transfer Agreement. As at the Latest Practicable Date, conditions (c), (d), (e), (f) and (g) have not yet been fulfilled by any of the parties to the Equity Transfer Agreement.

Pledge

Tianjin Dawning Company has also agreed, upon Completion, to pledge the 100% interests in Dawning Tianyan Company and 100% interests in Beijing Dawning Company in favour of the Vendors for the purpose of securing the payment obligation of Tianjin Dawning Company in respect of the last payment of the remaining 30% Consideration of RMB28,500,000 (equivalent to approximately HK$27,403,846) as per the Equity Transfer Agreement. The pledge shall take effect upon Completion.

Tradename and trademarks

Except for Dawning Information Industry (Shenzhen) Limited（曙光信息產業（深圳）有限公司）and Shenzhen Dawning Building（深圳曙光大廈）which are allowed to continue to use "Dawning"（曙光） as its tradename and building name, respectively, each of the Vendors undertake that it and its subsidiaries shall not use "Dawning"（曙光）as its tradename and the relevant group companies like China Dawning Information Industry Group Limited（中國曙光信息產業集團有限公司）and 深圳市曙光數碼科技有限公司 (Shenzhen Dawning Digital Technology Limited) shall change their names on or before the payment date of the last 30% of the Consideration. All the relevant trademarks in relation to "Dawning"（曙光）shall be transferred to Tianjin Dawning Company prior to the completion of the transfer formalities of the Dawning Interest.

Non-competition

Each of the Vendors undertakes that it and its subsidiaries shall not engage in any computer servers, personal computers, notebook computers and system integration businesses that are in competition with Dawning Tianyan Company and Beijing Dawning Company within 10 years from the date of completion of the transfer formalities of the Dawning Interest. The non-competiton undertaking is not binding at the Company level and therefore will not affect the operations of the Company. The Group (excluding Dawning Tianyan Company and Beijing Dawning Company) does not engage and has no intention to engage in any computer servers, personal computers, notebook computers and system integration businesses as at the date of this circular.

Completion

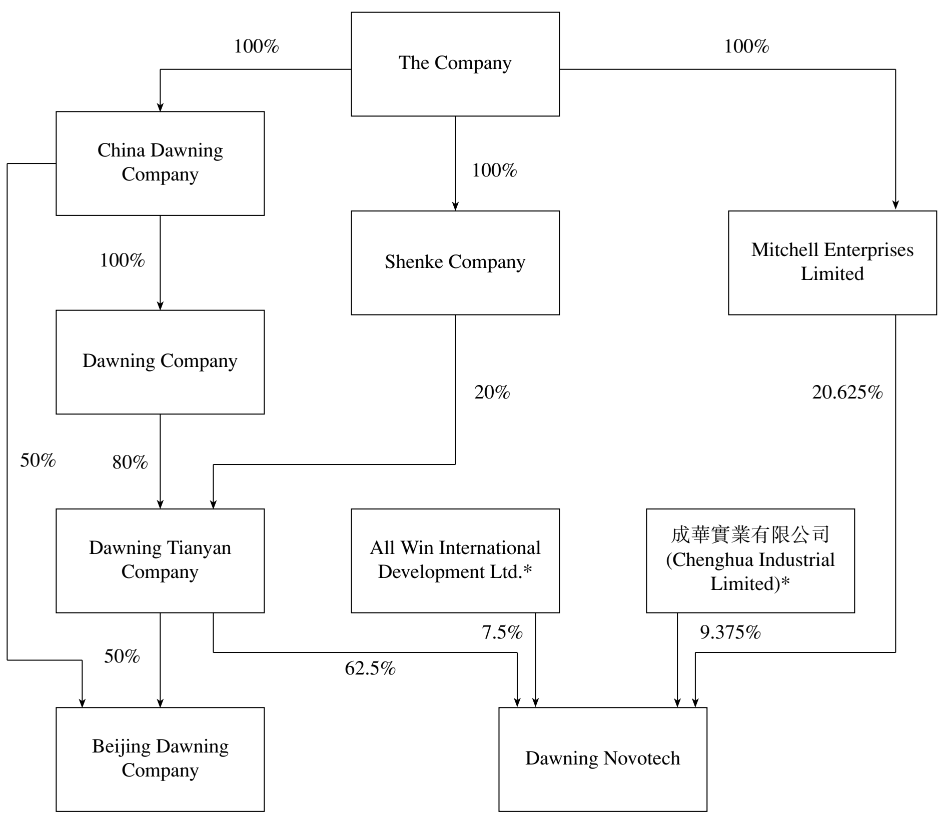
As at the Latest Practicable Date, the Equity Transfer Agreement has not been completed.

As at the Completion, Tianjin Dawning Company will own 100% and 100% (50% of which are held indirectly through its wholly-owned subsidiary Dawning Tianyan Company) respectively, of the registered capital of Dawning Tianyan Company and Beijing Dawning Company. Shenke Company will remain a wholly owned subsidiary of the Company. The Completion shall take place on completion of the registration formalities of the Disposal of the Dawning Interest from the Vendors to Tianjin Dawning Company under the Equity Transfer Agreement by the State Administration for Industry and Commerce.

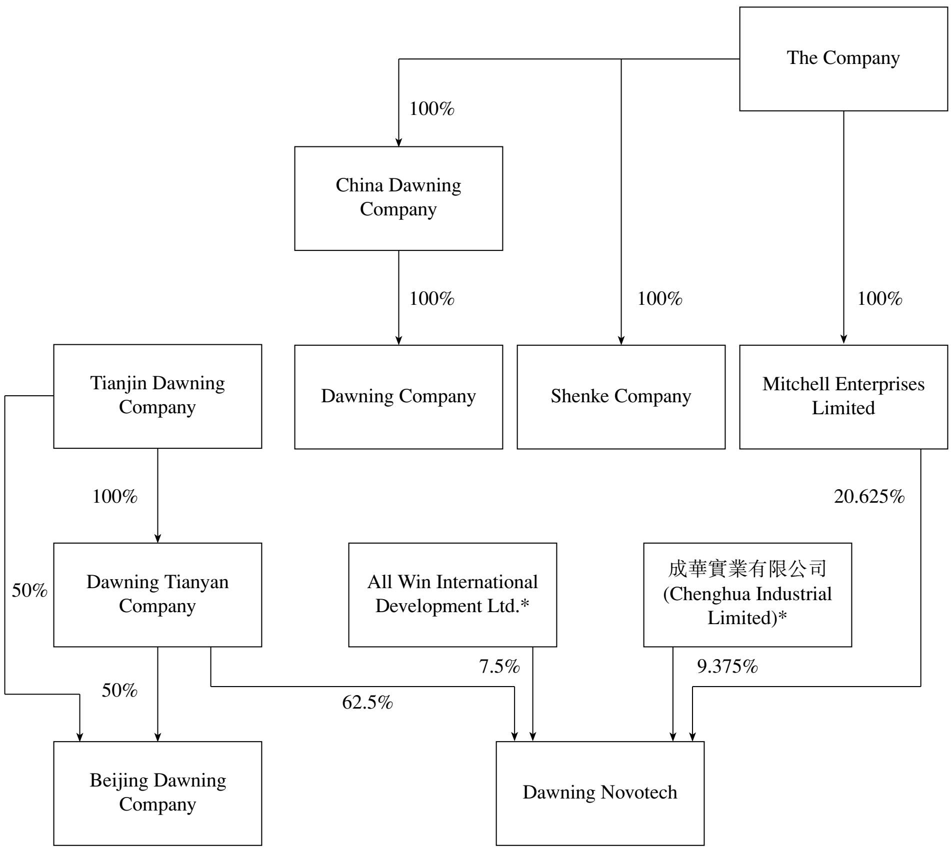
Upon Completion, the Company will dispose of 62.5% interest in Dawning Novotech held by Dawning Tianyan Company and therefore Dawning Novotech will cease to be a subsidiary of the Company. The remaining 20.625% interest in Dawning Novotech held by the Company will be treated as other investment in the consolidated accounts of the Company as the Company will no longer have the significant control in Dawning Novotech. As at the date of this circular, the Company intends to retain the remaining 20.625% interest in Dawning Novotech.

The following charts show the simplified shareholding structures of Dawning Tianyan Company and Beijing Dawning Company immediately before and after the Completion:

Before the Completion:



After the Completion:



* *All Win International Development Ltd and 成華實業有限公司 (Chenghua Industrial Limited) are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.*

III. INFORMATION ON DAWNING TIANYAN COMPANY

Dawning Tianyan Company is principally engaged in the manufacture and sale of high-tech computers and servers. Dawning Tianyan Company holds 62.5% interests in Dawning Novotech.

As at the date of this circular, the entire equity interest in Dawning Tianyan Company are held by two parties, with Dawning Company holding 80% of the registered capital of Dawning Tianyan Company and Shenke Company holding the remaining 20% of the registered capital of Dawning Tianyan Company. Upon Completion, Dawning Company and Shenke Company will cease to have any interest in Dawning Tianyan Company and Tianjin Dawning Company will own the entire registered capital of Dawning Tianyan Company. In other words, Dawning Tianyan Company will cease to be a subsidiary of the Company upon Completion.

As at 31st March, 2006, the Group's share of net asset of Dawning Tianyan Company based on unaudited figures was estimated at RMB26,921,000 (equivalent to approximately HK$25,886,000). The estimated unaudited net gain on disposal is approximately RMB18,079,000 (equivalent to approximately HK$17,383,000), which will be recorded as a profit by Dawning Company and Shenke Company. The estimated unaudited net gain on disposal is arrived by deducting net asset value of RMB26,921,000 (equivalent to approximately HK$25,886,000) from the consideration received by in respect of the disposal of interests in Dawning Tianyan Company, i.e. RMB45,000,000 (equivalent to approximately HK$43,269,000).

The financial figures of Dawning Tianyan Company are summarized in the below table:

	Year ended	
	31st December, 2004	**31st December, 2005**
	RMB	*RMB*
Audited net loss before tax	135,000	6,273,000
Audited net loss after tax	1,336,000	8,297,000
Audited net assets	38,697,000	29,213,000

Information on Dawning Novotech

Dawning Novotech is principally engaged in the development of business-level network storage systems and the provision of professional technical advice, program designing and structural planning. The financial figures of Dawning Novotech are summarized in the below table:

	Year ended	
	31st December, 2004	**31st December, 2005**
	RMB	*RMB*
Audited net loss before tax	5,654,000	562,000
Audited net loss after tax	5,654,000	562,000
Audited net liabilities	2,160,000	2,722,000

IV. INFORMATION ON BEIJING DAWNING COMPANY

Beijing Dawning Company is principally engaged in manufacture and sale of high-tech computers and servers.

As at the date of this circular, the entire equity interest in Beijing Dawning Company is held by two parties, with Dawning Tianyan Company holding 50% of the registered capital of Beijing Dawning Company and China Dawning Company holding the remaining 50% of the registered capital of Beijing Dawning Company, in accordance with a sino-foreign equity joint venture contract entered into between Dawning Tianyan Company and China Dawning Company. Upon Completion, China Dawning Company will cease to have any interest in Beijing Dawning Company and Tianjin Dawning Company together with Dawning Tianyan Company, its wholly-owned subsidiary will own the entire registered capital of Beijing Dawning Company. In other words, Beijing Dawning Company will cease to be subsidiary of the Company upon Completion.

As at 31st March, 2006, the Group's share (excluding the portion directly held by Dawning Tianyan Company) of net asset of Beijing Dawning Company based on unaudited figures was estimated at RMB61,879,000 (equivalent to approximately HK$59,499,000). The estimated unaudited net loss on disposal is approximately RMB11,879,000 (equivalent to approximately HK$11,422,000), which will be recorded as a loss by China Dawning Company. The estimated unaudited net loss on disposal is arrived by deducting net asset value of RMB61,879,000 (equivalent to approximately HK$59,499,000 from the consideration received in respect of the disposal of interests in Beijing Dawning Company, i.e. RMB50,000,000 (equivalent to approximately HK$48,077,000).

The financial figures of Beijing Dawning Company are summarized in the below table:

	Year ended 31st December, 2004 *RMB*	Year ended 31st December, 2005 *RMB*
Audited net profit before tax	1,254,000	25,212,000
Audited net profit after tax	1,567,000	23,073,000
Audited net assets	100,885,000	123,958,000

The percentage contribution of the revenue and net asset of Dawning Tianyan Company, Beijing Dawning Company and Dawning Novotech to the Group is summarized in the below table:

For the year 2005

	Revenue		Net Assets	
	Amount *HK$'000*	*%*	**Amount** *HK$'000*	*%*
Dawning Tianyan Company, Beijing Dawning Company & Dawning Novotech	417,385	94.67%	85,228	10.90%
Other companies of the Group**	23,502	5.33%	696,745	89.10%
	440,887	100.00%	781,973	100.00%

For the year 2004

	Revenue Amount		Net Assets Amount	
	HK$'000	*%*	*HK$'000*	*%*
Dawning Tianyan Company, Beijing Dawning Company & Dawning Novotech	241,154	61.75%	70,210	8.97%
Other companies of the Group**	149,398	38.25%	712,493	91.03%
	390,552	100.00%	782,703	100.00%

** *These other companies of the Group are engaged in the business of property investment, development and trading, including rental and building management services.*

V. CAPITAL STRUCTURE OF VENDORS

China Dawning Company and Shenke Company are wholly-owned subsidiaries of the Company. Dawning Company is a wholly-owned subsidiary of China Dawning Company.

VI. BUSINESS OF THE GROUP AND COUNTERPARTIES

The Group is principally engaged in (i) manufacture and sales of high-tech computers and servers, (ii) property investment and (iii) property, securities and general trading. Upon Completion, the Group will be principally engaged in property investment and trading. For the time being, the Group is maintaining a property held for sale, namely three blocks of Shun Jing Yuan (also known as "Cleanfield") of a floor area of about 17,000 square meters of a value of approximately HK$300,000,000. Shun Jing Yuan is a quality luxurious residential property development in Beijing of 14 blocks of residential buildings and equipped with clubhouse, golf course and car parking. The three blocks held by the Group account for approximately 25% of the whole Shun Jing Yuan in terms of floor area. The sale of the above property of the Group is expected to commence and generate revenue for the Company in the 4th quarter of 2006. The Group also runs rental and building management operations in Shenzhen of yearly revenue of approximately HK$14,500,000. One of its associated companies runs business in growing, cultivation and sales of horticultural plants. The Directors believe that the Group will continue to have a sufficient level of operations as required in Rule 13.24 of the Listing Rules.

Tianjin Dawning Company is principally engaged in the development, consultation, servicing, transfer and training of software technology; manufacturing, wholesaling and retailing of computers and its external parts and software; integration of computer system and property management.

VII. REASONS FOR THE TRANSACTION

In consideration that (i) the Company has yet to reach any agreement regarding the technical support and the ownership for future development of new model high-tech computers and servers with Chinese Academy of Sciences（中國科學院）which provided technical supports to the Vendors for the development of high-tech computers and servers in the past; and (ii) the Company also expects that substantial cost would be incurred in the future development of high-tech computers and server market which is fast moving with a short product life cycle and capital intensive and the prospect of newly developed products is not certain enough to sustain such investment, the Company has decided to streamline its business and redeploy its resources in the development of new projects with more certain and better growth potential and to implement the Disposal accordingly. In particular, the Group will look for projects in relation to property, infrastructure and expressway which provide a relatively stable return on investment. As at the date of this circular, there are no significant and specific new businesses which the Group intends to invest upon.

The Directors consider that the disposals of Dawning Tianyan Company and Beijing Dawning Company together constitute a single transaction. As such, the Disposal will bring about an overall disposal gain of RMB6,200,000 (equivalent to approximately HK$5,961,000).

The Directors (including the independent non-executive Directors) considered that the terms of the Disposal are fair and reasonable and that the transaction is in the interests of the Shareholders and the Company as a whole.

VIII. USE OF PROCEEDS

The Directors confirm that the net proceeds received by the Group from the Disposal will not be less than HK$90,000,000. Out of the said proceeds from the Disposal, approximately HK$20,000,000 will be used for the general working capital of the Group and the remaining balance will be reserved for development of new businesses. As at the date of this circular, the Group is looking for good investment opportunities in properties, high-tech business and expressway projects, etc. and there are no significant and specific new businesses which the Group decides to invest upon. There are no investment opportunities which the Group is currently in negotiation. The sale proceeds will be deposited into an interest bearing bank account when received before new opportunities arise.

IX. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Financial and business performance

The aggregate turnover of the Remaining Group for the year ended 31st December, 2005 amounted to approximately HK$24,408,000, of which approximately HK$17,632,000 was attributable to property investment, development and trading and approximately HK$6,776,000 was derived from securities trading and others. The gross profit ratio of the property investment and rental income was approximately 82.2% and other businesses including the trading of electronic products incurred a gross loss ratio of 0.3%.

The property investment mainly comprised the rental income and building management income derived from the properties owned by the Group, Dawning Building located in Shenzhen. Regarding the other segments – the securities and general trading, the Remaining Group mainly focused on securities listed in Hong Kong. During the year ended 31st December, 2005, the Remaining Group held properties of approximately HK$300,000,000 for sale.

As at 31st December, 2005, interests in associates of the Group, amounted to a total of HK$117,966,000, which were engaged in property investment, research and development, growing, cultivation and sales of horticultural plants.

As at 31st December, 2005, interests in jointly controlled entities, amounted to a total of HK$13,084,000, which were engaged in manufacture and sale of quartz oscillators used in the production of various electronic products, resonators and related devices.

During the year ended 31st December, 2005, the Remaining Group recorded a profit before tax of HK$1,700,000 after share of profit of associates of HK$5,916,000 and share of loss of jointly controlled entities of HK$6,303,000.

Financial resources and liquidity

The Remaining Group's capital structure as of 31st December, 2005 consisted of equity attributable to equity holders of the Company of approximately HK$786,746,000. At 31st December, 2005, the current ratio and gearing ratio (calculated on the basis of total borrowings divided by shareholders' equity) of the Remaining Group were 15 and zero respectively.

Cash and cash equivalent

As at 31st May, 2006, cash and bank balances amounted to approximately HK$198,836,000, mainly denominated in Hong Kong dollars, US dollars and Renminbi. No assets and deposits of the Remaining Group was pledged to secure banking facilities.

Exchange and interest rate risks exposure

Since the fund derived from incomes and applied to purchases of raw materials, spare parts and equipment and the payroll were denominated in Hong Kong dollars and Renminbi; the risk of fluctuation in foreign exchange was relatively low.

Employees and remuneration policies

The Remaining Group hired about 60 full time employees, including managerial, executive and technical staff and production labours in China and Hong Kong as at 31st May, 2006. Remuneration, promotion and the magnitude of remuneration adjustment are determined according to the job duty, working performance, professional experience of the staff and the prevailing practice of the industry. All full time staff and directors in Hong Kong office have already participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board.

X. FUTURE PROSPECTS OF THE REMAINING GROUP

After Completion, the Remaining Group will be principally engaged in property investment and trading. For the time being, the Remaining Group is maintaining a property held for sale, namely three blocks of Shun Jing Yuan (also known as "Cleanfield") of a floor area of about 17,000 square metres of a value of approximately HK$300,000,000. Shun Jing Yuan is a quality luxurious residential property development in Beijing of 14 blocks of residential buildings and equipped with clubhouse, golf course and car parking. The three blocks held by the Group account for approximately 25% of the whole Shun Jing Yuan in terms of floor area. The sale of the above property of the Group is expected to commence and generate revenue for the Remaining Group in the 4th quarter of 2006. The Remaining Group also runs rental and building management operations in Shenzhen of yearly revenue of approximately HK$14,500,000. One of its associated companies runs business in growing, cultivation and sales of horticultural plants.

The property markets in Beijing and Shenzhen become unclear in 2006. The profitability of sale of a residential property development may be affected by a series of austerity control measures which have been or will be implemented by the PRC government including but not limited to an increase in interest rates for mortgage loans; an increase in the minimum down payment by purchasers of properties; removal of the preferential mortgage rate for residential housing; restrictions on the amount of money that can be lent to individuals for multiple investment mortgages; and a recent increase in the required reserve ratio for commercial lenders from 7.5% to 8% imposed by the People's Bank of China. Furthermore, the abilities of the Group to acquire land use rights for future development may be limited by the PRC government's tightening land supply policy. The Remaining Group will continue to look for good investment opportunities in properties, especially investment properties with stable income, high-tech business with mature technology and steady growth and expressway projects in rapid developing cities of the PRC so as to maintain a stable income with steady growth for the Group.

With reference to the financial information in 2005, if the Dawning Interest were excluded, (i) the revenue of the Group would have decreased from approximately HK$440,887,000 to approximately HK$24,408,000, representing a 94.5% decrease; (ii) the total assets and total liabilities of the Group would have been reduced from approximately HK$945,872,000 and HK$163,899,000 to approximately HK$821,724,000 and HK$34,978,000 respectively, representing corresponding 13.1% and 78.6% decreases.

XI. SGM

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. No Shareholder (except 北京市曙光計算機公司 (Beijing Dawning Computer Company), which is a shareholder of both Tianjin Dawning Company and the Company (holding 224,234,998 Shares, representing about 1.30% of the total issued capital of the Company), and its associates) will be required to abstain from voting in respect of the proposed resolution to approve the Disposal at the SGM.

Set out on pages 132 to 133 of this circular, is a notice to convene the SGM to consider and, if thought fit, approve the Disposal and the Equity Transfer Agreement. The SGM will be held at Units 1904-1906, 19th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Wednesday, 26th July, 2006.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's Shares Registrar in Hong Kong, Standard Registrars Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong. Completion and return of the revised form of proxy will not preclude you from attending and voting at the meeting should you so wish.

XII. RECOMMENDATION

In view of the aforesaid, and in particular considering the reasons for the Disposal as set out above, the Board considers that the terms of the Disposal are fair and reasonable and that the transaction is in the interests of the Shareholders and the Company as a whole. Accordingly, the Board recommends that the Shareholders to vote in favour of the resolution to be proposed at the SGM.

XIII. GENERAL

Your attention is also drawn to the financial information and general information set out in the appendices to this circular.

By Order of the Directors
Shenzhen High-Tech Holdings Limited
Wong Chung Tak
Chairman

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30th June, 2006

The Directors
Shenzhen High-Tech Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Shenzhen High-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2005 (the "Relevant Periods") for inclusion in the circular issued by the Company dated 30th June, 2006 (the "Circular") in connection with the very substantial disposal transaction, whereby the Group through its wholly owned subsidiaries, 中國曙光信息產業集團有限公司 (China Dawning Information Industry Group Limited), 曙光信息產業(深圳)有限公司 (Dawning Information Industry (Shenzhen) Limited) and 深科高新實業(深圳)有限公司 (Shenke High-Tech Industrial (Shenzhen) Limited) (the "Vendors"), will dispose of the Vendors' entire interest in 北京曙光天演信息技術有限公司 (Beijing Dawning Tianyan Information Technology Company Limited), 曙光信息產業(北京)有限公司 (Dawning Information Industry (Beijing) Limited) and 62.5% interest in 北京曙光創新科技有限公司 (Beijing Dawning Novotech Co., Ltd.) (the "Disposed Companies"), pursuant to an agreement dated 29th May, 2006 (the "Agreement") entered into between the Vendors, and 天津曙光計算機產業有限公司 (Tianjin Dawning Computer Industry Limited) (the "Purchaser"), a limited company established in the People's Republic of China (the "Disposal").

The Company was incorporated in Bermuda as an exempted company with limited liability on 30th May, 1990 (which was known as "Crusader Holdings Limited" at that time). The Company is an investment holding company.

As at the date of this report, the Company has the following subsidiaries:

Name of company	Place of incorporation/ establishment/ operation	Date of incorporation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Alpha King Development Limited *(note 1)*	Hong Kong	11th May, 1995	10,000 shares of HK$1 each	–	100	Property investment
Assets Partners Group Limited *(note 2)*	British Virgin Islands ("BVI")	9th August, 2001	1 share of US$1 each	100	–	Investment holding
Board Sun Development Limited *(note 1)*	Hong Kong	9th December, 1996	2 shares of HK$1 each	–	100	Inactive
Capron Assets Limited *(note 2)*	BVI	30th January, 1996	1 share of US$1 each	100	–	Investment holding
Cathay Holdings Limited *(note 1)*	Hong Kong	14th November, 1991	2 shares of HK$1 each	100	–	Securities trading, provision of financial services and investment holding
Chaterhouse Holdings Limited *(note 2)*	BVI	29th November, 1995	1 share of US$1 each	100	–	Investment holding
China Dawning Information Industry Group Limited *(note 1)*	Hong Kong	9th May, 2001	2 shares of HK$1 each	–	100	Manufacture and sale of high-tech computers and servers
Cleo International Limited *(note 2)*	BVI	17th January, 1994	1 share of US$1 each	100	–	Investment holding

Name of company	Place of incorporation/ establishment/ operation	Date of incorporation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Crusader Trading Limited *(note 1)*	Hong Kong	9th August, 1985	2 shares of HK$1 each	100	–	Inactive
曙光信息產業(深圳)有限公司 Dawning Information Industry (Shenzhen) Limited *(note 3)*	Wholly foreign-owned enterprise in Mainland China ("PRC")	8th June, 1995	HK$152,120,000	–	100	Manufacture and sale of high-tech computers and servers
Finemost Development Limited *(note 1)*	Hong Kong	25th April, 1991	2 shares of HK$1 each	100	–	Inactive
GOI Limited *(note 1)*	Hong Kong	7th May, 1992	2 shares of HK$1 each	100	–	Corporate management
Grand Orient Securities Limited *(note 1)*	Hong Kong	14th May, 1996	2 shares of HK$1 each	100	–	Inactive
Grand Sino Investment Limited *(note 1)*	Hong Kong	9th April, 1997	2 shares of HK$1 each	–	100	Property investment
Great View Technology Limited *(note 2)*	BVI	16th February, 2000	1 share of US$1 each	100	–	Investment holding
Gross Point Holdings Limited *(note 2)*	BVI	5th December, 1997	1 share of US$1 each	–	100	Investment holding
Grandtex Development Limited *(note 1)*	Hong Kong	27th January, 1994	100 shares of HK$1 each	100	–	Inactive
Hornsby Group Limited *(note 2)*	BVI	1st December, 1997	1 share of US$1 each	100	–	Investment holding

Name of company	Place of incorporation/ establishment/ operation	Date of incorporation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Hostwin Investments Limited *(note 1)*	BVI/ Hong Kong	21st August, 1995 29th October, 1997	1 share of US$1 each	100	–	Securities trading
Hover Holdings Limited *(note 2)*	BVI	8th February, 1996	1 shares of HK$1 each	100	–	Investment holding
Shenzhen High-Tech Realty Limited *(note 1)*	Hong Kong	2nd May, 1995	10,000 shares of HK$1 each	–	100	Property investment
Marax Development Limited *(note 1)*	Hong Kong	2nd May, 1995	10,000 shares of HK$1 each	–	100	Investment holding
Megatech Development Limited *(note 1)*	Hong Kong	2nd May, 1995	10,000 shares of HK$1 each	–	100	Property investment
Mission Hill International Limited *(note 2)*	BVI	28th March, 1996	1 share of US$1 each	100	–	Investment holding
Mitchell Enterprises Limited *(note 2)*	BVI	8th February, 1996	1 share of HK$1 each	–	100	Investment holding
National Oriental Development Limited *(note 1)*	Hong Kong	16th May, 1995	10,000 shares of HK$1 each	–	100	Property investment
New Phenomenon Technology Limited *(note 2)*	BVI	31st March, 2000	1 share of US$1 each	–	100	Investment holding
New Trinity International Limited *(note 1)*	Hong Kong	26th November, 1997	2 shares of HK$1 each	–	100	Inactive

Name of company	Place of incorporation/ establishment/ operation	Date of incorporation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Opportunity Investments Limited *(note 2)*	BVI	20th April, 1995	1 share of US$1 each	100	–	Investment holding
Oriental Grand Development Limited *(note 1)*	Hong Kong	5th March, 1996	2 shares of HK$1 each	–	100	Property development
Profit Ever Holdings Limited *(note 2)*	BVI	19th January, 2004	1 share of US$1 each	100	–	Investment holding
Pulrose Limited *(note 2)*	BVI	5th July, 1994	1 share of US$1 each	100	–	Property investment
Shenzhen.Com Limited *(note 1)*	Hong Kong	16th February, 2000	2 shares of HK$1 each	100	–	Inactive
Stadium Holdings Limited *(note 1)*	Hong Kong	16th February, 2000	2 shares of HK$1 each	100	–	Property holding
Starmac Investment Limited *(note 1)*	Hong Kong	9th April, 1997	2 shares of HK$1 each	–	100	Property investment
Super Score Development Limited *(note 1)*	Hong Kong	11th May, 1995	10,000 shares of HK$1 each	–	100	Inactive
Treasure Land Enterprises Limited *(note 2)*	BVI	8th August, 2002	1 share of US$1 each	100	–	Investment holding

Name of company	Place of incorporation/ establishment/ operation	Date of incorporation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company Directly	Indirectly	Principal activities
北京曙光天演信息技術有限公司 (Beijing Dawning Tianyan Information Technology Company Limited) *(note 4)*	Limited liability company in PRC	27th August, 1996	RMB10,000,000	–	100	Manufacture and sale of high-tech computers and servers
北京曙光創新科技有限公司(Beijing Dawning Novotech Co., Ltd.) *(note 5)*	Sino-foreign joint equity enterprises in PRC	27th March, 2002	RMB16,000,000	–	83.1	Development of business-level network storage systems and the provision of professional technical advice, program designing and structural planning
曙光信息產業(北京)有限公司(Dawning Information Industry (Beijing) Limited) *(note 6)*	Sino-foreign joint equity enterprises in PRC	27th November, 2001	RMB106,345,000	–	100	Manufacture and sale of high-tech computers and servers
深圳市曙光數碼科技有限公司(Shenzhen Dawning Digital Technology Limited) *(note 7)*	Limited liability company in PRC	5th February, 2002	RMB3,000,000	–	100	Sale of computer equipment
深科高新實業(深圳)有限公司(Shenke High-Tech Industrial (Shenzhen) Limited) *(note 8)*	Wholly foreign-owned enterprise in PRC	27th June, 2002	HK$10,000,000	–	100	Property leasing

Name of company	Place of incorporation/ establishment/ operation	Date of incorporation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/registered capital held by the Company Directly	Indirectly	Principal activities
盛隆房地產經紀(北京)有限公司(Shenglong Property Consultant (Beijing) Company Limited) *(note 9)*	Wholly foreign-owned enterprise in PRC	22nd April, 2004	HK$10,000,000	–	100	Property management

Note 1: We have acted as auditors of these companies for the Relevant Periods. Audited financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong for these companies for each of the three years ended 31st December, 2005.

Note 2: No audited financial statements have been prepared for these companies, which are incorporated in a country where there are no statutory audit requirements.

Note 3: The statutory financial statements of 曙光信息產業(深圳)有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the three years ended 31st December, 2005 were audited by 深圳中鵬會計師事務所, 深圳正大華明會計師事務所 and 深圳君之遠會計師事務所, respectively.

Note 4: The statutory financial statements of 北京曙光天演信息技術有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the three years ended 31st December, 2005 were audited by 深圳中鵬會計師事務所, 北京華利安會計師事務所有限公司 and 北京創紀會計師事務所有限公司, respectively.

Note 5: The statutory financial statements of 北京曙光創新科技有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the three years ended 31st December, 2005 were audited by 北京天鼎衡會計師事務所, 北京華利安會計師事務所有限公司 and 北京創紀會計師事務所有限公司, respectively.

Note 6: The statutory financial statements of 曙光信息產業(北京)有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the two years ended 31st December, 2004 were audited by 北京華利安會計師事務所有限公司; the statutory financial statements for the year ended 31st December, 2005 were audited by 北京創紀會計師事務所有限公司.

Note 7: The statutory financial statements of 深圳市曙光數碼科技有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the three years ended 31st December, 2005 were audited by 深圳中鵬會計師事務所, 深圳正大華明會計師事務所 and 深圳君之遠會計師事務所, respectively.

Note 8: The statutory financial statements of 深科高新實業(深圳)有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the three years ended 31st December, 2005 were audited by 深圳中鵬會計師事務所, 深圳正大華明會計師事務所 and 深圳君之遠會計師事務所, respectively.

Note 9: The statutory financial statements of 盛隆房地產經紀(北京)有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements for each of the two years ended 31st December, 2005 were audited by 北京天鼎衡會計師事務所.

Except as otherwise disclosed, all the above subsidiaries operate in their places of incorporation/establishment.

We have acted as auditors of the Company for the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for each of the three years ended 31st December, 2005.

We have examined the audited consolidated financial statements of the companies comprising the Group for the Relevant Periods or since their respective date of incorporation or acquisition to 31st December, 2005 (the "Underlying Financial Statements"). Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The consolidated income statements and consolidated cash flow of the Group for the Relevant Periods and consolidated balance sheets as at 31st December, 2003, 31st December, 2004 and 31st December, 2005 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st December, 2003, 31st December, 2004 and 31st December, 2005 and of the consolidated loss and cash flows of the Group for each of the three years ended 31st December, 2005.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31st December,		
		2003	2004	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	
Turnover	*6*	331,881	390,552	440,887
Cost of sales and services		(253,791)	(315,680)	(356,979)
Gross profit		78,090	74,872	83,908
Other income		9,926	6,438	13,772
Selling and distribution costs		(38,493)	(33,837)	(46,085)
Administrative expenses		(78,654)	(72,435)	(51,284)
Other operating expenses	*7*	(48,655)	(23,810)	(4)
Impairment loss recognised in respect of goodwill	*18*	(92,628)	–	–
Finance costs	*8*	(316)	(2,466)	(133)
Share of results of associates		889	1,590	5,916
Share of results of jointly controlled entities		(2,677)	(1,534)	(6,303)
Net gain on disposal of subsidiaries	*37*	–	32,796	–
Loss before taxation	*10*	(172,518)	(18,386)	(213)
Taxation	*13*	(5,221)	(966)	(4,146)
Loss for the year		(177,739)	(19,352)	(4,359)
Attributable to:				
Equity holders of the Company		(176,854)	(17,275)	(4,246)
Minority interests		(885)	(2,077)	(113)
		(177,739)	(19,352)	(4,359)
		HK cents	*HK cent*	*HK cent*
Loss per share	*14*	(2.337)	(0.124)	(0.030)

CONSOLIDATED BALANCE SHEETS

		Year ended 31st December,		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	
Non-current assets				
Investment properties	*15*	115,000	115,000	115,000
Property, plant and equipment	*16*	58,765	36,283	35,057
Prepaid lease payments	*17*	4,200	4,100	4,000
Goodwill	*18*	23,810	–	–
Interests in associates	*19*	53,825	111,522	117,966
Amounts due from associates	*20*	21,816	23,424	–
Interests in jointly controlled entities	*21*	20,446	19,022	13,084
Amount due from a jointly controlled entity	22	4,138	4,158	–
Investments in securities	*23*	317	–	4,808
Deferred tax assets	*35*	6,441	6,742	5,731
		308,758	320,251	295,646
Current assets				
Properties held for sale	*24*	58,897	300,632	297,962
Inventories	*25*	54,592	154,168	76,707
Trade receivables	*26*	47,330	55,832	84,259
Other receivables	*27*	32,705	50,631	25,805
Prepaid lease payments	*17*	–	100	100
Amounts due from associates	*27*	–	–	22,716
Amount due from a jointly controlled entity	27	–	–	4,166
Loan to a jointly controlled entity	*27*	–	14,739	15,610
Investments held for trading	*28*	893	980	208
Bank balances, deposits and cash	*27*	416,465	123,137	122,693
		610,882	700,219	650,226

		Year ended 31st December,		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	
Current liabilities				
Trade payables	*29*	56,051	101,728	52,002
Other payables, deposits received and accrued charges	*30*	144,966	84,554	106,279
Bank loan – unsecured	*31*	–	47,170	–
Taxation payable		21,989	4,315	5,618
		223,006	237,767	163,899
Net current assets		387,876	462,452	486,327
Net assets		696,634	782,703	781,973
Capital and reserves				
Share capital	*32*	119,613	143,533	143,533
Reserves		566,562	639,046	638,440
Equity attributable to equity holders of the Company		686,175	782,579	781,973
Minority interests		10,459	124	–
Total equity		696,634	782,703	781,973

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Negative goodwill HK$'000	Investment property revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve fund HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2003	1,242,381	377,863	125,521	14,142	–	2,637	1,669	(1,298,662)	465,551	732	466,283
Exchange difference arising on translation of subsidiaries outside Hong Kong and net loss recognised in equity	–	–	–	–	–	(1,206)	–	–	(1,206)	(73)	(1,279)
Loss for the year	–	–	–	–	–	–	–	(176,854)	(176,854)	(885)	(177,739)
Total recognised expenses for the year	–	–	–	–	–	(1,206)	–	(176,854)	(178,060)	(958)	(179,018)
Issue of shares upon the exercise of conversion rights of convertible notes	100,467	–	–	–	–	–	–	–	100,467	–	100,467
Pursuant to Capital Reorganisation *(note 32)*	(1,273,917)	(377,863)	463,390	–	–	–	–	1,188,390	–	–	–
Expenses incurred in connection with Capital Reorganisation	–	–	(733)	–	–	–	–	–	(733)	–	(733)
Placing of new shares	50,182	253,996	–	–	–	–	–	–	304,178	–	304,178
Expenses incurred in connection with placing of shares	–	(9,058)	–	–	–	–	–	–	(9,058)	–	(9,058)
Issue of new shares upon exercise of share options	500	3,270	–	–	–	–	–	–	3,770	–	3,770
Increase in fair value of investment properties	–	–	–	–	60	–	–	–	60	–	60
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	10,685	10,685
At 31st December, 2003 and 1st January, 2004	119,613	248,208	588,178	14,142	60	1,431	1,669	(287,126)	686,175	10,459	696,634
Exchange difference arising on translation of subsidiaries outside Hong Kong and net loss recognised directly in equity	–	–	–	–	–	(2,829)	–	–	(2,829)	–	(2,829)
Loss for the year	–	–	–	–	–	–	–	(17,275)	(17,275)	(2,077)	(19,352)
Total recognised expenses for the year	–	–	–	–	–	(2,829)	–	(17,275)	(20,104)	(2,077)	(22,181)

	Share capital	Share premium	Contributed surplus	Negative goodwill	Investment property revaluation reserve	Translation reserve	Statutory reserve fund	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Placing of new shares	23,920	110,032	–	–	–	–	–	–	133,952	–	133,952
Expenses incurred in connection with placing of shares	–	(4,162)	–	–	–	–	(4,162)	–	(4,162)	–	(4,162)
Released on disposal of subsidiaries	–	–	–	(14,142)	–	860	–	–	(13,282)	(4,512)	(17,794)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(3,746)	(3,746)
Transfer	–	–	–	–	–	–	2,444	(2,444)	–	–	–
At 31st December, 2004 and 1st January, 2005	143,533	354,078	588,178	–	60	(538)	4,113	(306,845)	782,579	124	782,703
Effect of change in accounting policies	–	–	–	–	(60)	–	–	60	–	–	–
At 1st January, 2005 as restated	143,533	354,078	588,178	–	–	(538)	4,113	(306,785)	782,579	124	782,703
Exchange difference arising on translation of subsidiaries outside Hong Kong and net loss recognised directly in equity	–	–	–	–	–	3,640	–	–	3,640	–	3,640
Loss for the year	–	–	–	–	–	–	–	(4,246)	(4,246)	(113)	(4,359)
Total recognised income and expense for the year	–	–	–	–	–	3,640	–	(4,246)	(606)	(113)	(719)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(11)	(11)
Transfer	–	–	–	–	–	–	1,101	(1,101)	–	–	–
At 31st December, 2005	143,533	354,078	588,178	–	–	3,102	5,214	(312,132)	781,973	–	781,973

The Group's contributed surplus amount is the net effect of the amount arose from the Group reorganisation on 18th July, 1990 which represented the aggregate of (a) the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the nominal value of the shares of the subsidiaries acquired and (b) the amount arose from the capital reorganisation in April 2003 which represented the balance of the credit amount arising from the capital reduction and share premium cancellation after the elimination with the accumulated loses of the Company as at 31st December, 2001.

In accordance with the PRC regulations, certain companies in the PRC are required to transfer part of their profits after tax determined under the PRC accounting standards to the statutory reserve fund, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association. The statutory reserve fund is non-distributable and may be used either to offset losses, or for capitalisation issues by way of paid-up capital.

CONSOLIDATED CASH FLOW STATEMENTS

		Year ended 31st December,		
		2003	**2004**	**2005**
	Note	*HK$'000*	*HK$'000* (restated)	*HK$'000*
Operating activities				
Loss before taxation		(172,518)	(18,386)	(213)
Adjustments for:				
Share of results of associates		(889)	(1,590)	(5,916)
Share of results of jointly controlled entities		2,677	1,534	6,303
Interest expense		316	2,466	133
Interest income		(1,157)	(1,713)	(2,561)
Depreciation		4,045	7,497	4,083
Amortisation of prepaid lease payments		–	–	100
Impairment loss of property, plant and equipment		–	3,303	–
Loss on disposal of property, plant and equipment		185	248	2,066
Gain on partial disposal of interest in a subsidiary	*39*	(2,760)	–	–
Net gain on disposal of subsidiaries and discontinuing operations		–	(32,796)	–
Allowance for bad and doubtful debts		–	1,258	2,197
Reversal of allowance for bad and doubtful debts		(1,753)	(690)	–
Allowance for inventories		432	2,902	2,436
Reversal of allowance for inventories		–	–	(2,294)
Net realised gain on trading of investments in securities		(1,095)	(626)	–
Loss arising from change in fair value of investments held for trading		774	453	772
Amortisation/written off of goodwill		48,358	23,810	4
Impairment loss recognised in respect of goodwill		92,925	–	–
Release of negative goodwill arising on acquisition of interests in associates		(762)	–	–

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Operating cash flows before movements in working capital	(31,222)	(12,330)	7,110
Decrease (increase) in properties held for sale	34,999	(241,735)	2,670
(Increase) decrease in inventories	(5,037)	(103,812)	80,284
Decrease (increase) in trade receivables	45,955	(10,377)	(29,550)
Decrease (increase) in other receivables	20,014	(179,813)	25,673
(Decrease) increase in trade payables	(16,582)	45,150	(51,682)
Increase in other payables, deposits received and accrued charges	25,868	138,051	20,260
Cash generated from (used in) operations	73,995	(364,866)	54,765
Taxation paid	(496)	(3,854)	(1,786)
Net cash generated from (used in) operating activities	73,499	(368,720)	52,979

		Year ended 31st December,		
		2003	2004	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	
Investing activities				
Interest received		1,157	1,125	1,690
Purchase of investment properties		(4,535)	–	–
Purchase of property, plant and equipment		(7,713)	(6,899)	(5,224)
Purchase of subsidiaries, net of cash and cash equivalents acquired	*36*	(44,006)	–	–
Disposal of subsidiaries and discontinued operations, net of cash and cash equivalents disposed	*37*	–	(20,856)	–
Acquisition of remaining interests in a subsidiary		–	(1,000)	(15)
Investments in associates		(28,248)	(57,690)	–
Investments in jointly controlled entities		(10,584)	–	–
Dividend from an associate		–	1,583	–
(Advances to) repayments from associates		(39,057)	(1,608)	708
Repayment from (advances to) jointly controlled entities		5,627	(20)	–
Decrease in time deposits with original maturity of more than three months		32,045	–	–
Proceeds from disposal of property, plant and equipment		164	328	540
Proceeds from disposal of investments held for trading		18,087	20,315	–
Purchase of investments held for trading		(16,928)	(20,229)	–
Purchase of investments in securities		–	–	(4,808)
Loan to a jointly controlled entity		–	(14,151)	–
Net cash used in investing activities		(93,991)	(99,102)	(7,109)

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Financing activities			
Interest paid	(316)	(2,466)	(133)
Proceeds from placing of new shares	304,178	133,952	–
Expenses incurred in connection with placing of new shares	(9,058)	(4,162)	–
Proceeds from issue of new shares upon exercise of share options	3,770	–	–
Expenses incurred in connection with capital reorganisation	(733)	–	–
Bank loans raised	47,170	66,038	–
Repayment of bank loans	(47,170)	(18,868)	(47,170)
Net cash from (used in) financing activities	297,841	174,494	(47,303)
Net increase (decrease) in cash and cash equivalents	277,349	(293,328)	(1,433)
Cash and cash equivalents at beginning of the year	139,116	416,465	123,137
Effect of foreign exchange rate changes	–	–	989
Cash and cash equivalents at end of the year	416,465	123,137	122,693
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	396,415	78,947	121,376
Time deposits with original maturity of less than three months	20,050	44,190	1,317
	416,465	123,137	122,693

NOTES TO THE FINANCIAL INFORMATION

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of the principal place of business of the Company is Units 1904 – 1906, 19th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in manufacture and sales of high-tech computers and servers, property investment and trading. The business of provision of ophthalmology treatment services was discontinued in 2004.

The financial statements are presented in Hong Kong dollars.

2. Application of Hong Kong financial reporting standards

In 2005, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), Hong Kong Accounting Standards ("HKAS"s) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

Share-based payment

HKFRS 2 "Share-based payment" ("HKFRS 2") requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. The Group is required to apply HKFRS 2 retrospectively to share options granted after 7th November, 2002 and had not yet vested on 1st January, 2005. However, the Group had no such kind of options and accordingly, no retrospective restatement is required.

Owner-occupied leasehold interest in land

Prior to the adoption of HKAS 17 "Leases" ("HKAS 17"), owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In addition, the leasehold land in the property under development were measured using the cost model. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. These changes have no material impact on the Group.

Investment properties

The Group has elected to use the fair value model under HKAS 40 "Investment property" ("HKAS 40") to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. Prior to the adoption of HKAS 40, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and revaluation subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 of HK$60,000 has been transferred to the Group's accumulated losses.

Deferred taxes related to investment properties

Prior to the adoption of HKAS Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets" ("HKAS INT 21"), deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. HKAS INT 21 removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS INT 21, this change in accounting policy has been applied retrospectively. These changes have no material impact on the Group.

Financial instruments

In 2005, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial instruments: Recognition and Measurement" ("HKAS 39"). HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The implementation of HKAS 32 has no impact on the Group's consolidated financial statement. The principal effects resulting from the implementation of HKAS 39 is summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Equity securities previously accounted for under the alternative treatment of Statement of Standards Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24")

By 31st December, 2004, the Group classified and measured its investments in equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, the Group's investments in equity securities were classified as "trading securities" which were measured at fair value. Unrealised gains or losses of "trading securities" were reported in the profit or loss for the period in which gains or losses arise. From 1st January, 2005 onwards, the Group classifies and measures its investments in equity securities in accordance with HKAS 39. Under HKAS 39, the Group's investment in equity securities are classified as "financial assets at fair value through profit or loss" which are carried at fair value, with changes in fair values recognised in profit or loss.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Summary of the effects of the changes in accounting policies

Analysis of the effect in consolidated income statements by line items presented according to their function:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
	HKAS 1	HKAS 1	HKAS 1
Decrease in share results of associates	–	(1,805)	(1,845)
Decrease in taxation	–	1,805	1,845
Net effect in loss for the year	–	–	–

The cumulative effects of the application of the new HKFRSs as at respective balance sheet dates are summarised below:

As at 31st December, 2003

Balance sheet items	**31.12.2003**	**Adjustments**	**31.12.2003**
	HK$'000	*HK$'000*	*HK$'000*
	(originally stated)	HKAS 1 & HKAS 17	(restated)
Property under development	4,200	(4,200)	–
Prepaid lease payments	–	4,200	4,200
Total effects on assets	4,200	–	4,200
Accumulated losses	(287,126)	–	(287,126)
Investment property revaluation reserve	60	–	60
Minority interests	–	10,459	10,459
Total effects on equity	(287,066)	10,459	(276,607)
Minority interests	10,459	(10,459)	–

As at 31st December, 2004

Balance sheet items	31.12.2004	Adjustments	31.12.2004	Adjustment	1.1.2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(originally stated)	HKAS 1 & HKAS 17	(restated)	HKAS 40	(restated)
Property under development	4,200	(4,200)	–	–	–
Prepaid lease payments	–	4,200	4,200	–	4,200
Total effects on assets	4,200	–	4,200	–	4,200
Accumulated losses	(306,845)	–	(306,845)	60	(306,785)
Investment property revaluation reserve	60	–	60	(60)	–
Minority interests	–	124	124	–	124
Total effects on equity	(306,785)	124	(306,661)	–	(306,661)
Minority interests	124	(124)	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity on 1st January, 2003 are the inclusion of the minority interests of HK$732,000 in the equity.

The Group has not early applied the following new and revised HKASs, HKFRSs and Interpretations issued by the HKICPA which were in issue but not yet effective.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

1 *Effective for annual periods beginning on or after 1st January, 2007.*
2 *Effective for annual periods beginning on or after 1st January, 2006.*
3 *Effective for annual periods beginning on or after 1st December, 2005.*
4 *Effective for annual periods beginning on or after 1st March, 2006.*
5 *Effective for annual periods beginning on or after 1st May, 2006.*
6 *Effective for annual periods beginning on or after 1st June, 2006.*

In accordance with the amendments to HKAS 39 and HKFRS 4 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Other than as discussed above, the directors anticipate that the adoption of these new or revised HKASs, HKFRSs and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

3. Significant accounting policies

The Financial Information has been prepared under the historical cost basis except investment properties and investments held for trading, which are measured at fair values, as explained in the accounting policies set out below. The Financial Information has been prepared in accordance with following principal accounting policies which conform with HKFRSs and HKASs issued by the HKICPA.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests of subsidiaries that do not result in change in control do not fall within the definition of business combination under HKFRS 3. The excess of the cost of acquisition over the carrying amount of assets and liabilities of the subsidiary is recognised as goodwill.

Interest in associates

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint ventures

Jointly controlled entities

The results and assets and liabilities of jointly controlled entities are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations together with the expenses that it incurs are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable less returns.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of investments in securities are recognised on the execution of legally binding, unconditional and irrevocable contracts.

Income from properties held for sale is recognised on the execution of a legally binding, unconditional and irrevocable sales contracts.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant leases.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, if any, using the straight line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the terms of the leases, or 50 years
Leasehold improvements	Over the shorter of the terms of the leases, or 5 years
Plant and machinery	5 – 10 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 – 10 years

The land and buildings elements of a lease of land and building are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

The prepaid lease payments are amortised over the term of the land use right on a straight line basis.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the completion of the properties.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets other than financial assets at fair value through profit or loss are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and, loans and receivables. All regular way purchases or sales of financial assets are recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade receivables, other receivables, loan to a jointly controlled entity, amount due from associates, amount due from a jointly controlled entity and investments in securities and bank balances and deposits are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

Other financial liabilities

Other financial liabilities including bank borrowings, trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging on operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

Rental payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Borrowing costs

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. Current tax liabilities are measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to retirement benefit schemes, which are defined contributions, are charged as an expense as they fall due.

4. Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Depreciation

The Group's net book value of property, plant and equipment as at 31st December, 2003, 31st December, 2004 and 31st December, 2005 was approximately HK$58,765,000, HK$36,283,000 and HK$35,057,000, respectively. The Group depreciates the property, plant and equipment on a straight line basis over the estimated useful life. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Change in this estimation may have a material impact on the result.

5. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, deposits and cash, trade payables and other payables. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

All income and funds applied to the purchase of raw materials, spare parts and equipment and the payments of salaries were settled in Hong Kong dollar and Renminbi; therefore, it was not necessary to use any financial instrument for hedging purposes, and the Group's exposure to the fluctuation of exchange rates was minimal. The Group currently does not have a foreign currency hedging policy. As at 31st December, 2003, 31st December, 2004 and 31st December, 2005, cash in hand and bank balances of the Group were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

Credit risk

The Group's major financial assets are trade receivables and bank balances, deposits and cash, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk in relation to trade receivables, the management of the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk is concentrated to a small number of debtors. However management considers, based on the strong financial background and good creditability of debtors, there are no significant credit risk.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. Turnover and segment information

The Group's turnover for the Relevant Periods analysed by principal activity is as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Manufacture and sales of high-tech computers and servers	259,095	277,242	423,290
Proceeds from disposal of properties held for sale	36,708	67,067	2,310
Proceeds from disposal of investments held for trading	18,087	20,315	–
Rental income	12,232	12,706	8,830
Provision of ophthalmology treatment services	1,710	7,513	–
Property management fee income	4,049	5,121	5,586
Loan handling interest	–	588	871
	331,881	390,552	440,887

(A) Business segments

For management purpose, the Group is organised into three main operating divisions as follows:

– High-tech computers and servers manufacturing and related business
– Property investment and trading
– Provision of ophthalmology treatment services (discontinued in 2004)

Segment information about these businesses is set out as follows:

For each of the three years ended 31st December, 2003, 2004 and 2005

	High-tech computers and servers manufacturing and related business			Property investment, development and trading			Ophthalmology treatments			Others			Eliminations			Consolidated		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
	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$'000	HK$'000	HK$'000	HK$'000
TURNOVER																		
External sales	259,095	277,242	423,290	52,989	84,894	16,726	1,710	7,513	–	18,087	20,903	871	–	–	–	331,881	390,552	440,887
Inter-segment sales	–	–	–	199	636	–	–	–	–	6,399	1,660	2,255	(6,598)	(2,296)	(2,255)	–	–	–
Total	259,095	277,242	423,290	53,188	85,530	16,726	1,710	7,513	–	24,486	22,563	3,126	(6,598)	(2,296)	(2,255)	331,881	390,552	440,887
SEGMENT RESULTS	(102,530)	(9,770)	12,008	(3,324)	11,686	7,687	(16,528)	(1,284)	–	(10,428)	(21,080)	2,313	(6,598)	(2,296)	(2,255)	(139,408)	(22,744)	19,753
Unallocated other income																1,157	1,125	1,568
Unallocated corporate expenses																(32,163)	(27,153)	(21,014)
Finance costs																(316)	(2,466)	(133)
Share of results of associates	(55)	(46)	(1,824)	108	(4,592)	649	(1,216)	–	–	(2,052)	6,228	7,091	–	–	–	889	1,590	5,916
Share of results of jointly controlled entities	(2,677)	(1,534)	(6,303)	–	–	–	–	–	–	–	–	–	–	–	–	(2,677)	(1,534)	(6,303)
Net gain on disposal of subsidiaries	–	–	–	–	50,739	–	–	(17,943)	–	–	–	–	–	–	–	–	32,796	–
Loss before taxation																(172,518)	(18,386)	(213)
Taxation																(5,221)	(966)	(4,146)
Loss for the year																177,739	(19,352)	(4,359)

Note: Inter-segment sales are charged at prevailing market prices.

At 31st December, 2003, 2004 and 2005

	High-tech computers and servers manufacturing and related business			Property investment, development and trading			Ophthalmology treatments			Others			Eliminations			Consolidated		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
	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$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	321,129	270,266	206,481	215,525	450,545	446,699	42,920	–	–	24,983	15,969	15,959	(9,225)	(9,225)	(9,225)	595,332	727,555	659,914
Interests in associates	1,870	1,824	–	29,119	82,217	82,866	–	–	–	22,836	27,481	35,100	–	–	–	53,825	111,522	117,966
Amounts due from associates	–	–	–	21,751	21,776	22,651	–	–	–	65	1,648	65	–	–	–	21,816	23,424	22,716
Interests in jointly controlled entities	20,446	19,022	13,084	–	–	–	–	–	–	–	–	–	–	–	–	20,446	19,022	13,084
Amounts due from jointly controlled entities	4,138	4,158	4,166	–	–	–	–	–	–	–	–	–	–	–	–	4,138	4,158	4,166
Unallocated assets																224,083	134,789	128,026
Total assets																919,640	1,020,470	945,872
Segment liabilities	121,857	171,021	128,643	58,384	8,311	23,487	2,775	–	–	656	657	657	–	–	–	183,672	179,989	152,787
Unallocated liabilities																39,334	57,778	11,112
Total liabilities																223,006	237,767	163,899

For the three years ended 31st December, 2003, 2004 and 2005

	High-tech computers and servers manufacturing and related business			Property investment, development and trading			Ophthalmology treatments			Others			Eliminations			Consolidated		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
OTHER SEGMENT INFORMATION:																		
Amortisation/written off of goodwill	31,351	–	4	–	–	–	–	–	–	17,007	23,810	–	–	–	–	48,358	23,810	4
Allowance for bad and doubtful debts	–	1,258	2,197	–	–	–	–	–	–	–	–	–	–	–	–	–	1,258	2,197
Depreciation	2,111	2,730	2,589	716	696	610	447	3,047	–	–	–	–	–	–	–	3,274	6,473	3,199
Unallocated depreciation																771	1,024	884
Impairment losses in respect of																		
– goodwill	74,153	–	–	–	–	–	18,772	–	–	–	–	–	–	–	–	92,925	–	–
– property, plant and equipment recognised in the consolidated income statement	–	3,303	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,303	–
Capital additions in respect of																		
– investment properties	–	–	–	4,535	–	–	–	–	–	–	–	–	–	–	–	4,535	–	–
– property, plant and equipment	4,842	2,896	4,965	95	327	57	18,296	3,674	–	2,759	2	202	–	–	–	25,992	6,899	5,224
– goodwill	–	–	–	–	–	–	18,772	–	–	40,817	–	–	–	–	–	59,589	–	–

(B) Geographical segments

The Group's operations are substantially located in Hong Kong and the PRC throughout the Relevant Periods. An analysis of the Group's sales, assets and capital additions by geographical market is set out as follows:

	Hong Kong			PRC other than Hong Kong			Consolidated		
	Year ended 31st December,			Year ended 31st December,			Year ended 31st December,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	18,087	22,663	3,181	313,794	367,889	437,706	331,881	390,552	440,887
Other segment information (by location of assets):									
Segment assets	256,201	109,807	108,936	663,439	910,663	836,936	919,640	1,020,470	945,872
Capital additions	2,762	107	202	87,354	6,792	5,022	90,116	6,899	5,224

7. Other operating expenses

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Other operating expenses comprise:			
Amortisation/written off of goodwill	48,358	23,810	4
Impairment loss recognised in respect of goodwill attributable to jointly controlled entities	297	–	–
	48,655	23,810	4

8. Finance costs

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans wholly repayable within five years	316	2,466	133

9. Loss on disposal of discontinued operations

On 28th December, 2004, the Group entered into a sale arrangement to dispose of subsidiaries, China Vision Group Corporation ("CVGC") and its subsidiaries including Well Green Holdings Limited ("Well Green") (the "CVGC Group"), which carried out all of the Group's ophthalmology treatment operations and operated in the PRC. The disposal was effected in order to generate cash flow for the expansion of the Group's other business. The disposal was completed on 28th December, 2004, on which date control of CVGC Group passed to the acquirer.

The results of the ophthalmology treatment operations for the period from 1st January, 2004 to 28th December, 2004 and from 26th September, 2003 (date of acquisition) to 31st December, 2003, which have been included in the Financial Information, were as follows:

	26.9.2003 to 31.12.2003	**1.1.2004 to 28.12.2004**
	HK$'000	*HK$'000*
Turnover	1,710	7,513
Cost of services	(527)	(2,597)
Gross profit	1,183	4,916
Other income	2,210	4,103
Non-operating expenses	(16,834)	–
Administrative expenses	(2,683)	(8,727)
Selling costs	(314)	(1,305)
Share of result of an associate	(1,216)	–
Loss for the period	(17,654)	(1,013)

In 2004, CVGC Group contributed HK$5,471,000 (2003: HK$4,046,000) to the Group's net operating cash flows and paid HK$5,122,000 (2003: contributed HK$1,413,800) in respect of investing activities.

The carrying amounts of the consolidated assets and liabilities of CVGC Group at the date of disposal and at 31st December, 2003 are as follows:

	31.12.2003	**28.12.2004**
	HK$'000	*HK$'000*
Non-current assets	18,092	16,568
Current assets	24,828	27,028
Current liabilities	(4,202)	(5,210)
Minority interests	(10,331)	(4,512)
Net assets	28,387	33,874

A loss of HK$17,943,000 *(note 37)* arose on the disposal of CVGC Group, being the sale consideration less the carrying amount of CVGC Group's net assets.

10. Loss before taxation

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation has been arrived at after charging:			
Staff costs:			
Directors' remuneration *(note 11)*			
– fees	1,074	1,200	1,200
– other emoluments	3,406	6,455	6,516
– retirement benefit scheme contributions	11	71	52
	4,491	7,726	7,768
Retirement benefit scheme contributions for other staff	1,789	816	529
Severance payment	–	1,744	–
Other staff costs	30,521	33,785	30,256
	36,801	44,071	38,553

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Allowance for bad and doubtful debts	–	1,258	2,197
Allowance for of inventories (included in cost of sales and services)	432	2,902	2,436
Auditors' remuneration	758	880	1,100
Consultancy fees for business development (included in administrative expenses)	15,600	2,410	–
Cost of inventories recognised as an expense	139,175	123,115	221,798
Depreciation	4,045	7,497	4,083
Impairment loss of property, plant and equipment (included in administrative expenses)	–	3,303	–
Net exchange losses	473	3	411
Loss on disposal of property, plant and equipment (included in administrative expenses)	185	248	2,066
Minimum lease rentals in respect of rented premises	6,743	7,793	4,682
Loss arising from change in fair value of Investments held for trading	774	453	772
Amortisation/written off of goodwill	48,358	23,810	4
and after crediting:			
Bank interest income	1,157	1,125	1,690
Bad debts recovered	1,456	1,000	–
Gain on disposal of investments held for trading	1,095	626	–
Gain on partial disposal of interest in a subsidiary (included in other operating income)	2,760	–	–
Investment income from investments in securities	605	–	–
Loan interest income	–	588	871
Release of negative goodwill arising on acquisition of interests in associates (included in other operating income)	762	–	–
Rental income under operating leases, less outgoings of HK$3,042,000, HK$3,065,000 and HK$534,700 for the Relevant Periods	9,190	9,641	8,295
Reversal of allowance for bad and doubtful debts	1,753	690	–
Reversal of allowance for inventories	–	–	2,294

11. Directors' remuneration

The emoluments paid or payable to each of the nine (2003: thirteen; 2004: nine) directors were as follows:

	Wong Chung Tak	Deng Wenyun	Gong Hanbing	Tse Kam Fai	Li Heihu	Li Jingqi	Chen Chao	Wong Ngo, Derick	Lee Kuo Ching, Stewart	Liu Sing Piu, Chris	Chong Kally	Loong Ping Kwan	Poon Chiu Kwok	Total
	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*
2003														
Fees	18	33	100	18	82	123	100	–	200	66	32	134	168	1,074
Other emoluments														
Salaries and other benefits	303	464	1,404	115	–	–	–	–	–	–	–	–	–	2,286
Retirements benefits scheme contribution	1	2	6	2	–	–	–	–	–	–	–	–	–	11
Others	–	80	240	–	280	200	320	–	–	–	–	–	–	1,120
Total emoluments	322	579	1,750	135	362	323	420	–	200	66	32	134	168	4,491
2004														
Fees	100	100	100	100	–	–	100	100	200	200	200	–	–	1,200
Other emoluments														
Salaries and other benefits	1,807	1,705	1,671	650	–	–	520	102	–	–	–	–	–	6,455
Retirements benefits scheme contribution	12	20	8	12	–	–	–	19	–	–	–	–	–	71
Total emoluments	1,919	1,825	1,779	762	–	–	620	221	200	200	200	–	–	7,726
2005														
Fees	100	100	100	100	–	–	100	100	200	200	200	–	–	1,200
Other emoluments														
Salaries and other benefits	1,807	1,715	1,664	650	–	–	520	160	–	–	–	–	–	6,516
Retirements benefits scheme contribution	12	20	8	12	–	–	–	–	–	–	–	–	–	52
Total emoluments	1,919	1,835	1,772	762	–	–	620	260	200	200	200	–	–	7,768

There were no arrangements under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. Employees' remuneration

Of the five individuals with the highest emoluments of the Group, three were directors of the Company, details of whose emoluments are disclosed in note 11. The emoluments of the remaining two individuals were as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	1,943	2,028	2,039
Retirement benefit scheme contributions	24	20	20
	1,967	2,048	2,059

Their emoluments were within the following bands:

	Number of employees		
	Year ended 31st December,		
	2003	**2004**	**2005**
Nil to HK$1,000,000	1	1	1
HK$1,000,001 to HK$1,500,000	1	1	1
	2	2	2

13. Taxation

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
The charge comprises:			
Hong Kong Profits Tax			
Overprovision in the prior years	(213)	–	–
PRC Enterprise Income Tax			
Current year	4,761	1,233	2,043
Underprovision in the prior years	7,114	–	963
	11,662	1,233	3,006
Deferred taxation	(6,441)	(267)	1,140
Taxation charge for the year	5,221	966	4,146

No provision for Hong Kong Profits Tax has been made in the Financial Information as the Group did not have any assessable profit in Hong Kong during the Relevant Periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. This PRC subsidiary entitles to 50% reduction in 2005.

The taxation charge for the Relevant Period can be reconciled to the loss before taxation per the consolidated income statement as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000* (restated)	*HK$'000*
Loss before taxation	(172,518)	(18,386)	(213)
Tax at PRC Enterprise Income Tax rate of 15%	(25,878)	(2,758)	(32)
Tax effect of share of results of associates	(136)	(239)	(77)
Tax effect of share of results of jointly controlled entities	402	230	873
Tax effect of expenses not deductible for tax purpose	20,804	8,609	1,344
Tax effect of income not taxable for tax purpose	(2,597)	(9,520)	(950)
Tax effect of deductible temporary differences not recognised	765	–	–
Tax effect of tax losses not recognised	12,946	11,190	5,978
Utilisation of tax losses previously not recognised	(197)	(6,839)	(1,667)
Net underprovision in the previous years	6,901	–	963
Effect of different tax rates of group companies operating in other jurisdictions	(1,578)	685	(489)
Effect of tax exemption granted to a PRC subsidiary	–	–	(1,818)
Others	(6,211)	(392)	21
Taxation charge for the year	5,221	966	4,146

The PRC Enterprise Income Tax rate of 15% is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

14. Loss per share

The calculation of the basic loss per share for each of the three years ended 31st December, 2003, 2004 and 2005 is based on the loss for the year attributable to equity holders of the Company of HK$176,854,000, HK$17,275,000 and HK$4,246,000 respectively and on the weighted average number of ordinary shares in issue during the three years ended 31st December, 2003, 2004 and 2005 of 7,568,215,430; 13,948,108,569 and 14,353,310,755 shares, respectively.

The computation of diluted loss per share for the Relevant Periods did not assume the exercise of the outstanding share options as their exercise would result in a decrease in the loss per share during the Relevant Periods.

15. Investment properties

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
VALUATION			
At 1st January	–	115,000	115,000
Transfer from construction in progress	110,405	–	–
Additions	4,535	–	–
Surplus on revaluation	60	–	–
At 31st December	115,000	115,000	115,000

In 2003, certain completed properties with an aggregate carrying amount of approximately HK$110,405,000 were transferred from construction in progress to the investment properties upon completion of the construction. The carrying amount of the properties at the date of transfer was taken to be their cost less the identified impairment loss at that date.

All the investment properties are situated in the PRC and held under medium term leases.

The properties were valued at their open market value as at 31st December, 2003, 2004 and 2005 by Messrs. Savills (Hong Kong) Limited (known as “FPDSavills (Hong Kong) Limited” in 2003), an independent firm of qualified professional valuers.

The valuation of market value of the property intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. The valuation is prepared in accordance with “The Hong Kong Institute of Surveyors (“HKIS”) Valuation Standards on Properties (First Edition 2005)” published by the HKIS.

All the Group’s investment properties are rented out under operating leases.

16. Property, plant and equipment

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST							
At 1st January, 2003	33,591	276	7,799	3,806	5,819	112,856	164,147
Currency realignment	–	(7)	(93)	(16)	(24)	–	(140)
Purchase of subsidiaries	–	908	10,867	614	1,130	–	13,519
Additions	–	2,750	5,650	715	3,358	–	12,473
Disposals	–	–	(217)	(204)	–	–	(421)
Transfer to investment properties	–	–	–	–	–	(112,856)	(112,856)
At 31st December, 2003	33,591	3,927	24,006	4,915	10,283	–	76,722
Currency realignment	2	21	129	21	46	–	219
Additions	1,734	22	3,937	590	616	–	6,899
Disposals	–	(298)	(778)	(48)	(501)	–	(1,625)
Eliminated upon disposal of subsidiaries	–	(908)	(19,065)	(1,241)	(704)	–	(21,918)
At 31st December, 2004	35,327	2,764	8,229	4,237	9,740	–	60,297
Currency realignment	42	53	158	58	152	–	463
Additions	1,159	–	2,641	872	552	–	5,224
Disposals	–	–	(339)	(753)	(3,059)	–	(4,151)
At 31st December, 2005	36,528	2,817	10,689	4,414	7,385	–	61,833
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2003	9,125	13	2,343	1,539	980	2,451	16,451
Currency realignment	–	–	(10)	(4)	(2)	–	(16)
Provided for the year	526	451	1,316	805	947	–	4,045
Eliminated on disposals	–	–	(41)	(31)	–	–	(72)
Eliminated on transfer to investment properties	–	–	–	–	–	(2,451)	(2,451)
At 31st December, 2003	9,651	464	3,608	2,309	1,925	–	17,957
Currency realignment	1	1	19	8	6	–	35
Provided for the year	588	923	3,544	876	1,566	–	7,497
Impairment loss recognised	–	–	2,863	440	–	–	3,303
Eliminated on disposals	–	(297)	(685)	(43)	(24)	–	(1,049)
Eliminated upon disposal of subsidiaries	–	(261)	(2,917)	(459)	(92)	–	(3,729)
At 31st December, 2004	10,240	830	6,432	3,131	3,381	–	24,014
Currency realignment	4	16	124	40	40	–	224
Provided for the year	641	564	999	604	1,275	–	4,083
Eliminated on disposals	–	–	(324)	(615)	(606)	–	(1,545)
At 31st December, 2005	10,885	1,410	7,231	3,160	4,090	–	26,776
NET BOOK VALUES							
At 31st December, 2005	25,643	1,407	3,458	1,254	3,295	–	35,057
At 31st December, 2004	25,087	1,934	1,797	1,106	6,359	–	36,283
At 31st December, 2003	23,940	3,463	20,398	2,606	8,358	–	58,765

During the year ended 31st December, 2004, the directors conducted a review of the Group's assets and determined that a number of those assets are impaired, due to physical damage and obsolescence. Accordingly, impairment losses of HK$3,303,000 have been recognised.

The net book values of the land and buildings shown above comprise:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Long term leasehold properties situated in Hong Kong	23,603	23,105	22,607
Short term leasehold properties situated in the PRC	337	1,982	3,036
	23,940	25,087	25,643

17. Prepaid lease payments

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments comprise:			
Leasehold land in Hong Kong			
Medium-term lease	4,200	4,200	4,100
Analysed for reporting purposes as			
Non-current asset	4,200	4,100	4,000
Current asset	–	100	100
	4,200	4,200	4,100

18. Goodwill

	HK$'000
THE GROUP	
COST	
At 1st January, 2003	130,552
Arising on purchase of subsidiaries	59,589
At 31st December, 2003 and 2004	190,141
Elimination of accumulated amortisation prior to the adoption of HKFRS 3 *(note 2)*	(97,513)
At 31st December, 2005	92,628
AMORTISATION	
At 1st January, 2003	26,533
Provided for the year	47,170
At 31st December, 2003	73,703
Provided for the year	23,810
At 31st December, 2004	97,513
Elimination of accumulated amortisation prior to the adoption of HKFRS 3 *(note 2)*	(97,513)
At 31st December, 2005	–
IMPAIRMENT LOSS	
At 1st January, 2003	–
Impairment loss recognised for the year	92,628
At 31st December, 2003, 2004 and 2005	92,628
NET BOOK VALUE	
At 31st December, 2005	–
At 31st December, 2004	–
At 31st December, 2003	23,810

The amortisation period adopted for goodwill is ranged from one to ten years. Full impairment loss on goodwill arising on subsidiaries acquired in 2001 was identified and charged to the income statement in 2003 as a result of an assessment of the future business performance and the recoverable amounts of those subsidiaries estimated by the directors.

19. Interests in associates

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	53,825	111,522	117,966

The summarised financial information in respect of the Group's associates is set out below:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	361,362	505,842	615,327
Total liabilities	(180,176)	(182,185)	(259,027)
Net assets	181,186	323,657	356,300
Group's share of net assets of associates	53,825	111,522	117,966
Turnover	53,706	145,604	160,006
Profit for the year	7,205	34,089	36,819
Group's share of result of associates for the year	889	1,590	5,916

Particulars of the Group's associates as at 31st December, 2003, 2004 and 2005 are set out in note 43.

20. Amounts due from associates – non current

As 31st December, 2003, and 2004, the amounts are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, no part of the amounts will be repayable in the next twelve months from the respective balance date. Accordingly, the amounts are shown as non-current.

21. Interests in jointly controlled entities

Jointly controlled entities

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	20,446	19,022	13,084

Included in the above amounts are goodwill arising on acquisition of jointly controlled entities at cost of HK$2,969,000 and accumulated amortization and impairment of HK$2,696,000. During were HK$1,188,000 and HK$297,000 respectively.

The summarised financial information in respect of the Group's jointly controlled entities is set out below:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	86,526	90,079	72,365
Total liabilities	(30,779)	(52,781)	(46,709)
Net assets	55,747	37,298	25,656
Group's share of net assets of jointly controlled entities	20,446	19,022	13,084
Turnover	5,120	8,822	17,559
Loss for the year	(5,255)	(3,007)	(12,358)
Group's share of result of jointly controlled entities for the year	(2,677)	(1,534)	(6,303)

Particulars of the Group's jointly controlled entities are as follows:

Company name	Form of business structure	Place of establishment and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
武漢晶科信息產業有限公司 (Wu Han Jingke Information Industry Co., Ltd.)	Incorporated	PRC	51	40	51	Manufacture and sale of electronic components
武漢晶科電子有限公司 (Wuhan Jingke Electronic Co., Ltd.)	Incorporated	PRC	51	40	51	Manufacture and sale of electronic components

The Group's jointly controlled entities are indirectly held by the Company. The Group's interests in the jointly controlled entities have not been accounted for as subsidiaries because the Group's control over these entities is restricted by certain provisions in the joint venture agreements. In the opinion of the directors, the Group does not have control of the boards of directors of the jointly controlled entities but can jointly control, with the other shareholder, over these entities. Accordingly, the equity method of accounting is used to account for the Group's interests in these jointly controlled entities.

Jointly controlled operations

In addition to the jointly controlled entities listed above, the Group entered into joint venture agreements in the form of jointly controlled operations to provide ophthalmology treatment operations in the PRC. The joint venturer of the jointly controlled operations was Well Green which was acquired by the Group on 26th September, 2003 and became a subsidiary of the Group held indirectly by CVGC. On 28th December, 2004, the Group disposed of the CVGC Group. Details are set out in note 9.

22. Amount due from a jointly controlled entity

At 31st December, 2003 and 2004, the amount is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors, no part of the amount will be repayable in the next twelve months from the respective balance date. Accordingly, the amount is shown as non-current.

23. Investments in securities

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Investment securities			
Unlisted shares in the PRC, at cost	317	–	–
Unlisted investments, at cost	–	–	4,808
	317	–	4,808

At 31st December, 2003, investments in unlisted equity securities issued by private entities incorporated in the PRC are measured at cost less impairment.

At 31st December, 2005, unlisted investments represents unlisted debt securities in the PRC. The effective interest rate of the investment in securities is 5.25% per annum. The directors consider that the carrying amount of the investments in securities approximate its fair value.

24. Properties held for sale

The carrying amount of the properties held for sale comprises:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold properties situated in:			
The PRC, excluding Hong Kong			
– long leases	–	299,152	297,962
– medium term leases	56,097	–	–
Hong Kong			
– long leases	2,800	1,480	–
	58,897	300,632	297,962

25. Inventories

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	14,289	30,718	25,251
Work in progress	20,384	106,794	14,067
Finished goods	19,919	16,656	37,389
	54,592	154,168	76,707

During the year ended 31st December, 2005, there was an increase in the net realisable value of some of the finished goods due to the increase in market demand. As a result, a reversal of allowance of finished goods of HK$2,294,000 has been recognised and included in cost of sales in the year ended 31st December, 2005.

At 31st December, 2003 and 31st December, 2004, inventories of approximately HK$50,355,000 and HK$34,940,000 respectively were carried at net realisable value.

26. Trade receivables

A defined credit policy is maintained within the Group. The general credit terms are ranged from one to three months, except for certain well-established customers, where the terms are further extended to a maximum of one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

An aged analysis of the trade receivables at the balance sheet date, based on invoice date, net of allowances, is as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	22,468	21,111	50,657
31 to 90 days	6,309	11,750	10,352
91 to 180 days	8,446	2,363	12,174
181 to 365 days	5,564	17,072	6,689
Over 365 days	4,543	3,536	4,387
	47,330	55,832	84,259

At the balance sheet date, the directors consider the carrying value of the trade receivables approximate its fair value.

27. Financial assets

At 31st December, 2005, the interest rates on time deposits with original maturity of less than three months range from 3.75% per annum to 4.07% per annum.

The amounts due from associates and amount due from a jointly controlled entity as at 31st December, 2005 are unsecured, interest-free and repayable on demand.

On 1st March, 2004, the Group entered into a loan agreement with 武漢晶科信息產業有限公司 (Wu Han Jingke Information Industry Co., Ltd.) ("Jingke information"), a jointly controlled entity of the Group, pursuant to which the Group agreed to grant a non-revolving secured loan of up to RMB15,000,000 (equivalent to approximately HK$14,151,000) to Jingke Information. The loan bears interest at HSBC prime rate. The effective interest rate ranged from 5% to 7.75% (2004: 5% to 5.125%) in the current year. The loan principal and interest have expired on 31st December, 2005 and will be renewable upon terms to be agreed between the parties thereof. The loan is secured by each of the shareholders of Jingke Information by charging their respective equity interests in Jingke Information to the Group.

At the balance sheet date, the directors consider the carrying amounts of the amounts due from associates, amount due from a jointly controlled entity, the loan to a jointly controlled entity, other receivables and bank balances and cash approximate their fair values.

28. Investments held for trading

The amount represents investments in Hong Kong listed equity securities which are held for trading and are stated at fair value determined by reference to bid prices quoted on the Stock Exchange.

29. Trade payables

The aged analysis of trade payables at the balance sheet date, based on invoice date, is as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	32,234	82,850	33,602
31 to 90 days	15,627	8,228	10,152
91 to 180 days	7,161	8,164	5,867
181 to 365 days	347	313	1,251
Over 365 days	682	2,173	1,130
	56,051	101,728	52,002

At the balance sheet date, the directors consider the carrying amount of the trade payables approximates its fair value.

30. Other payables, deposits received and accrued charges

At the balance sheet date, the directors consider the carrying value of the other payables approximates its fair value.

31. Bank loan – unsecured

During the year ended 31st December, 2004, the Group obtained a new bank loan of RMB50,000,000 (equivalent to approximately HK$47,170,000). The loan bore interest at 5.5755% per annum and was fully repaid on 13th January, 2005. The proceeds were used for the acquisition of a residential property located in Beijing, the PRC.

32. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
Ordinary shares of US$0.025 each as at 1st January, 2003	10,000,000,000	1,948,000
Conversion of Nominal Value *(Note 2(a))*	–	(3,000)
Conversion of par value from US$0.025 to HK$0.1945 each *(Note (2)(a))*	10,000,000,000	1,945,000
Capital Reduction from HK$0.1945 to HK$0.01 each *(Note (2)(b))*	–	(1,845,000)
Increase of share capital *(Note (2)(c))*	10,000,000,000	100,000
Ordinary shares of HK$0.01 each as at 31st December, 2003 and 1st January, 2004	20,000,000,000	200,000
Increase of share capital *(note (3))*	10,000,000,000	100,000
Ordinary shares of HK$0.01 each as at 31st December, 2004 and 31st December, 2005	30,000,000,000	300,000

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
Ordinary shares of US$0.025 each as at 1st January, 2003	6,376,617,628	1,242,381
Exercise of conversion rights of convertible notes at exercise price of HK$0.1945 each *(Note 1)*	516,541,335	100,467
Conversion of Nominal Value and Capital Reduction from HK$0.1945 to HK$0.01 each *(Note (2)(a) and (b))*	–	(1,273,917)
Placing of new shares of HK$0.01 each on 15th September, 2003 *(Note (4))*	1,378,600,000	13,786
Placing of new shares of HK$0.01 each on 28th October, 2003 *(Note (5))*	1,654,351,792	16,544
Exercise of share options on 1st December, 2003 *(Note (6))*	50,000,000	500
Placing of new shares of HK$0.01 each on 23rd December, 2003 *(Note (7))*	1,985,200,000	19,852
Ordinary shares of HK$0.01 each as at 31st December, 2003 and 1st January, 2004	11,961,310,755	119,613
Placing of new shares of HK$0.01 each on 3rd March, 2004 *(note (8))*	2,392,000,000	23,920
Ordinary shares of HK$0.01 each as at 31st December, 2004 and 31st December, 2005	14,353,310,755	143,533

Notes:

(1) On 27th February, 2003, the convertible notes issued on 4th June, 2001 were converted into 516,541,335 new ordinary shares of the Company at the conversion price of HK$0.1945 each, amounting to approximately HK$100,467,000.

(2) On 28th April, 2003, the shareholders of the Company held a special general meeting and passed a special resolution for the reorganisation of the capital of the Company (the "Capital Reorganisation") in the following manner:

(a) the currency denomination of the authorised share capital of US$250,000,000 (equivalent to HK$1,948,000,000) divided into 10,000,000,000 ordinary shares with par value of US$0.025 was converted to HK$1,945,000,000 divided into 10,000,000,000 ordinary shares with par value of HK$0.1945 ("Conversion of Nominal Value");

(b) the nominal value of the share capital of the Company was reduced from HK$0.1945 per share to HK$0.01 per share by way of the cancellation of HK$0.1845 per share, so that the authorised and issued share capital were reduced accordingly. Based on the number of existing shares in issue, the issued share capital of the Company of approximately HK$1,342,848,000 was reduced by approximately HK$1,273,917,000 to approximately HK$68,931,000 ("Capital Reduction");

(c) the authorised share capital of the Company of HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each was increased by HK$100,000,000 to HK$200,000,000 divided into 20,000,000,000 shares of HK$0.01 each;

(d) the amount of approximately HK$377,863,000 standing to the credit of the share premium account of the Company was reduced to nil ("Share Premium Cancellation"); and

(e) the credit amount of approximately HK$1,651,780,000 arising from the Capital Reduction and Share Premium Cancellation was used to eliminate the accumulated losses of the Company of approximately HK$1,188,390,000 as at 31st December, 2001 and the balance of such credit of approximately HK$463,390,000 was transferred to the contributed surplus account of the Company.

(3) On 21st May, 2004, the shareholders of the Company held an annual general meeting and passed an ordinary resolution that the authorised share capital of the Company of HK$200,000,000 divided into 20,000,000,000 ordinary shares of HK$0.01 each was increased by HK$100,000,000 to HK$300,000,000 divided into 30,000,000,000 shares of HK$0.01 each.

(4) On 15th September, 2003, the Company through a placing agent issued 1,378,600,000 ordinary shares of HK$0.01 each at an offer price of HK$0.068 each to independent third parties. The total proceeds from the new issue of shares were approximately HK$93,745,000, before the related share issue expenses of approximately HK$2,265,000.

(5) On 20th October, 2003, the Company entered into a subscription agreement with an independent third party pursuant to which the independent third party subscribed 1,654,351,792 ordinary shares of HK$0.01 each at a subscription price of HK$0.06 each. The total proceeds from the new issue of shares were approximately HK$99,261,000, before related share issue expenses of approximately HK$3,407,000. Such new shares were allotted and issued to the subscribers on 28th October, 2003.

(6) On 1st December, 2003, certain participants of the new share option scheme adopted by the Company in May 2002 exercised their share options to subscribe for 50,000,000 ordinary shares of the Company of HK$0.01 each at a subscription price of HK$0.0754 per share. Details of the Company's share option schemes are set out in note 33.

(7) On 10th December, 2003, the Company through a placing agent to place 1,985,200,000 ordinary shares of HK$0.01 each at an offer price of HK$0.056 each. The total proceeds from the new issue of shares were approximately HK$111,172,000, before the related share issue expenses of approximately HK$3,386,000. The Company used the proceeds for the working capital of a jointly controlled entity and property development projects in the PRC. Such new shares were allotted and issued to the subscribers on 23rd December, 2003.

(8) On 3rd March, 2004, the Company through a placing agent issued a total of 2,392,000,000 new ordinary shares of HK$0.01 each at an offer price of HK$0.056 each. The total proceeds from the new issue of shares were approximately HK$133,952,000, before the related share issue expenses of approximately HK$4,162,000. The Company has used the proceeds for the acquisition of a residential property located in Beijing, the PRC.

33. Share options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30th May, 2002, a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 17th November, 2000 (the "Old Scheme") but without prejudice to any share options previously granted under the Old Scheme prior to its termination. After the adoption of the New Scheme, no further options can be granted under the Old Scheme.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include the directors (including executive and non-executive directors), other employees and any professional advisor and business consultant of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The New Scheme became effective on 30th May, 2002 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

Unless approved by shareholders of the Company, shares which may be issued upon exercise of all options to be granted under the New Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the New Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under any share option schemes of the Company if this will result in the limit being exceeded.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the official closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Each share option vested immediately at the date when the option is accepted. An option may be exercised in accordance with the terms of the New Scheme at any time during the period commencing one week from the date on which the option is accepted and expiring on a date to be notified by the directors to each grantee, which shall not be more than 10 years from the date on which the New Scheme is adopted.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the board of directors at the time the option is offered to the participants.

No options may be granted under the New Scheme after the date of the 10th anniversary of the adoption of the New Scheme.

Details of options granted by the Company under the Old Scheme, which vest immediate at the date of grant, to the executive directors and full-time employees of the Group to subscribe for shares in the Company during each of the three years ended 31st December, 2005 are as follows:

			Number of share options		
Date of grant	**Exercise period**	**Exercise price**	**Outstanding at 1st January, 2005**	**Lapsed during the year**	**Outstanding at 31st December, 2005**
		HK$			
7th July, 1997	15th July, 1997 to 14th July, 2007	0.3800	900,000	–	900,000
9th March, 2001	20th March, 2001 to 16th November, 2010	0.1945	9,000,000	–	9,000,000
9th March, 2001	21st March, 2001 to 16th November, 2010	0.1945	120,000,000	–	120,000,000
9th March, 2001	22nd March, 2001 to 16th November, 2010	0.1945	1,500,000	–	1,500,000
23rd July, 2001	2nd August, 2001 to 26th July, 2006	0.1945	25,000,000	–	25,000,000
23rd July, 2001	4th August, 2001 to 28th July, 2006	0.1945	25,000,000	(25,000,000)	–
23rd July, 2001	15th August, 2001 to 8th August, 2006	0.1945	48,862,800	–	48,862,800
23rd July, 2001	1st January, 2002 to 31st December, 2006	0.1945	49,698,550	(20,098,400)	29,600,150
23rd July, 2001	1st July, 2002 to 30th June, 2007	0.1945	49,698,550	(20,098,400)	29,600,150
13th August, 2001	1st January, 2002 to 31st December, 2006	0.1945	750,000	–	750,000
13th August, 2001	1st July, 2002 to 30th June, 2007	0.1945	750,000	–	750,000
			331,159,900	(65,196,800)	265,963,100
Details of the share options held by directors included in the above table			66,060,000	–	66,060,000

Date of grant	Exercise period	Exercise price *HK$*	Number of share options: Outstanding at 1st January, 2004	Lapsed during the year	Outstanding at 31st December, 2004
7th July, 1997	15th July, 1997 to 14th July, 2007	0.3800	900,000	–	900,000
9th March, 2001	20th March, 2001 to 16th November, 2010	0.1945	10,500,000	(1,500,000)	9,000,000
9th March, 2001	21st March, 2001 to 16th November, 2010	0.1945	133,500,000	(13,500,000)	120,000,000
9th March, 2001	22nd March, 2001 to 16th November, 2010	0.1945	1,500,000	–	1,500,000
23rd July, 2001	2nd August, 2001 to 26th July, 2006	0.1945	25,000,000	–	25,000,000
23rd July, 2001	4th August, 2001 to 28th July, 2006	0.1945	25,000,000	–	25,000,000
23rd July, 2001	15th August, 2001 to 8th August, 2006	0.1945	48,862,800	–	48,862,800
23rd July, 2001	1st January, 2002 to 31st December, 2006	0.1945	49,698,550	–	49,698,550
23rd July, 2001	1st July, 2002 to 30th June, 2007	0.1945	49,698,550	–	49,698,550
13th August, 2001	1st January, 2002 to 31st December, 2006	0.1945	750,000	–	750,000
13th August, 2001	1st July, 2002 to 30th June, 2007	0.1945	750,000	–	750,000
			346,159,900	(15,000,000)	331,159,900
Details of the share options held by directors included in the above table			79,560,000	(13,500,000)	66,060,000

Date of grant	Exercise period	Exercise price *HK$*	Number of share options: Outstanding at 1st January, 2003	Lapsed during the year	Outstanding at 31st December, 2003
7th July, 1997	15th July, 1997 to 14th July, 2007	0.3800	900,000	–	900,000
9th March, 2001	20th March, 2001 to 16th November, 2010	0.1945	15,000,000	(4,500,000)	10,500,000
9th March, 2001	21st March, 2001 to 16th November, 2010	0.1945	133,500,000	–	133,500,000
9th March, 2001	22nd March, 2001 to 16th November, 2010	0.1945	1,500,000	–	1,500,000
23rd July, 2001	2nd August, 2001 to 26th July, 2006	0.1945	25,000,000	–	25,000,000
23rd July, 2001	4th August, 2001 to 28th July, 2006	0.1945	25,000,000	–	25,000,000
23rd July, 2001	15th August, 2001 to 8th August, 2006	0.1945	48,862,800	–	48,862,800
23rd July, 2001	1st January, 2002 to 31st December, 2006	0.1945	49,698,550	–	49,698,550
23rd July, 2001	1st July, 2002 to 30th June, 2007	0.1945	49,698,550	–	49,698,550
13th August, 2001	1st January, 2002 to 31st December, 2006	0.1945	750,000	–	750,000
13th August, 2001	1st July, 2002 to 30th June, 2007	0.1945	750,000	–	750,000
			350,659,900	(4,500,000)	346,159,900
Details of the share options held by directors included in the above table			139,560,000	–	139,560,000

Details of options granted by the Company under the New Scheme to the employees of the Group to subscribe for shares in the Company during each of the three years ended 31st December, 2005 are as follows:

Date of grant	Exercise period	Exercise price	Outstanding at 1st January, 2003	Granted during the year	Exercised during the year	Outstanding at 31st December, 2003, 1st January, 2004 and 31st December, 2004	Lapsed during the year	Outstanding at 31st December, 2005	Price of the Company's share at exercise date of options
		HK$							*HK$*
Other employees									
14th October, 2003	28th November, 2003 to 26th November, 2008	0.0754	–	90,000,000	(50,000,000)	40,000,000	(20,000,000)	20,000,000	0.0800

No share options were granted to the directors of the Company under the New Scheme during the Relevant Periods.

In 2003, 90,000,000 share options were granted to employees for a total consideration of HK$10, of which 50,000,000 share options were exercised for a total consideration of HK$3,770,000.

At 31st December, 2003, 31st December, 2004 and 31st December, 2005, the number of shares in respect of which options had been granted and remaining outstanding under the share option schemes was 386,159,900, 371,159,900 and 285,963,100 and representing 3.2%, 2.5% and 2.0% of the shares of the Company in issue at that date, respectively.

34. Retirement benefit schemes

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contribution as required by the MPF Scheme and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The employers' contributions of the Group vest fully with the employees when contributed into the MPF Scheme.

At each balance sheet date, there is no forfeited contributions which arose upon employees leasing the retirement benefit schemes and which are available to reduce the contribution payable in future years.

The employees of the Group's subsidiary in other jurisdictions are members of a state-managed retirement benefit scheme operated by the government of the respective jurisdiction. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

During each of the three years ended 31st December, 2005, the total cost charged to consolidated income statement of HK$1,800,000, HK$2,631,000 and HK$581,000 respectively represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

35. Deferred taxation

The major components of the deferred tax assets recognised by subsidiaries and movements thereon during the year are as follows:

	Accelerated tax depreciation	Allowances for inventories, trade and other receivables	Impairment loss of property, plant and equipment	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2003	–	–	–	–	–	–
Credit for the year	1,846	3,317	–	–	1,278	6,441
At 31st December, 2003	1,846	3,317	–	–	1,278	6,441
Currency realignment	10	6	–	–	18	34
(Charge) credit for the year	(229)	91	436	291	(322)	267
Balance at 31st December, 2004	1,627	3,414	436	291	974	6,742
Currency realignment	31	66	8	6	18	129
Charge for the year	(216)	(213)	(39)	(297)	(375)	(1,140)
At 31st December, 2005	1,442	3,267	405	–	617	5,731

At 31st December, 2003, 31st December, 2004 and 31st December, 2005, the Group, other than the above subsidiaries, has unrecognised tax losses of HK$849,865,000, HK$962,504,000 and HK$933,121,000, respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams.

At 31st December, 2003, 31st December, 2004 and 31st December, 2005, the Group also has other deductible temporary differences of HK$209,196,000, HK$10,173,000 and HK$2,821,000, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

36. Purchase of subsidiaries

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired comprise:			
Property, plant and equipment	13,519	–	–
Interests in associates	20,783	–	–
Investments in securities	317	–	–
Inventories	351	–	–
Trade receivables	652	–	–
Other receivables, deposits and prepayments	22,908	–	–
Bank balances and cash	19,042	–	–
Other payables and accrued charges	(2,023)	–	–
Minority interests	(5,986)	–	–
Group's share of net assets acquired	69,563	–	–
Goodwill arising on purchase of subsidiaries	59,589	–	–
	129,152	–	–

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Satisfied by:			
Cash	63,048	–	–
Loan receivable	43,000	–	–
	106,048	–	–
Interests in associates	21,344	–	–
Increase in minority interests arising on partial dilution of interest in a subsidiary	1,760	–	–
	129,152	–	–
Net cash outflow arising on acquisition:			
Cash consideration	(63,048)	–	–
Bank balances and cash acquired	19,042	–	–
	(44,006)	–	–

The subsidiaries acquired in 2003 contributed HK$1,710,000 to the Group's turnover, and a loss of HK$677,000 to the Group's net loss attributable to shareholders for that year.

37. Disposal of subsidiaries and discontinued operations

In October 2004, the Group acquired the remaining interests in a subsidiary within the CVGC Group at a consideration of HK$2,000,000 resulting in a negative goodwill of HK$1,769,000. HK$1,000,000 was settled during the year ended 31st December, 2005 and was included in other payable and accrued charges at 31st December, 2004.

On 28th December, 2004, the Group discontinued its business of ophthalmology treatment operations at the time of disposal of CVGC Group for a consideration of RMB17,000,000 (equivalent to HK$15,931,000) *(note 9)*. RMB12,000,000 (equivalent to HK$11,215,000) was settled by assigning the amount due to a creditor by the Company to the buyer.

The net assets of CVGC Group and other subsidiaries of the Group being disposed, at the date of disposal, were as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed comprise:			
Property, plant and equipment	–	18,189	–
Negative goodwill	–	(1,769)	–
Investments in securities	–	317	–
Inventories	–	821	–
Trade receivables	–	862	–
Other receivables, deposits and prepayments	–	166,306	–
Bank balances and cash	–	21,799	–
Other payables and accrued charges	–	(213,371)	–
Taxation	–	(15,236)	–
Minority interests	–	(4,512)	–
Group's share of net assets disposed	–	(26,594)	–
Release of reserves on disposal of subsidiaries	–	(13,282)	–
Waiver of amounts due from disposed subsidiaries	–	23,954	–
Net gain on disposal of subsidiaries *(note)*	–	32,796	–
	–	16,874	–
Satisfied by:			
Cash	–	943	–
Consideration balance receivable	–	4,716	–
Debt assignment	–	11,215	–
	–	16,874	–
Net cash outflow arising on disposal:			
Cash consideration	–	943	–
Bank balances and cash disposed	–	(21,799)	–
	–	(20,856)	–

The subsidiaries and discontinued operation disposed in 2004, contributed HK$13,076,000 to the Group's turnover, and a profit of HK$41,370,000 to the Group's loss for the year attributable to the equity holders of the Company.

Note:

Analysis of net gain on disposal of subsidiaries is as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Gain on disposal of other subsidiaries	–	50,739	–
Loss on disposal of discontinuing operations	–	(17,943)	–
	–	32,796	–

38. Capital commitments

The Group had no capital commitment as at 31st December, 2003, 31st December, 2004 and 31st December, 2005.

39. Major non-cash transactions

In October 2004, the Group acquired the remaining interests in a subsidiary within the CVGC Group at a consideration of HK$2,000,000 resulting in a negative goodwill of HK$1,769,000. HK$1,000,000 was not yet settled in 2004 and was included in other payable and accrued charges at 31st December, 2004.

On 28th December, 2004, the Group discontinued its business of ophthalmology treatment operations at the time of disposal of CVGC Group for a consideration of RMB17,000,000 (equivalent to HK$15,931,000) *(note 9)*. RMB12,000,000 (equivalent to HK$11,215,000) was settled by assigning the amount due to a creditor by the Company to the buyer.

In 2003, the Group entered into an agreement with an independent third party pursuant to which the Group disposed of a 5.23% equity interest of a subsidiary for a total consideration of HK$5,698,000, which is settled by the assignment of property, plant and equipment of HK$4,760,000 and inventories of HK$938,000. The increase in minority interests arising on this partial dilution of interest in a subsidiary amounted to HK$2,938,000 and resulting in a gain on partial disposal of interest in a subsidiary of HK$2,760,000.

40. Operating lease arrangements

The Group as lessee

At 31st December, 2003, 31st December, 2004 and 31st December, 2005, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,851	2,329	348
In the second to fifth year inclusive	429	266	337
	3,280	2,595	685

The operating lease payments represent rental payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for a term ranged from one to five years.

The Group as lessor

The Group leases its investment properties under operating lease arrangements, with lease terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Property rental income earned for the year ended 31st December, 2003, 2004 and 2005 were HK$12,232,000, HK$12,706,000 and HK$8,830,000, respectively.

At 31st December, 2003, 31st December, 2004 and 31st December, 2005, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	7,917	8,034	8,990
In the second to fifth year inclusive	17,003	17,688	29,767
After five years	24,643	22,374	12,258
	49,563	48,096	51,015

41. Contingent liabilities

(a) On 9th January, 2003 (renewed on 14th January, 2004), the Company has executed a guarantee to the extent of RMB5,000,000 (equivalent to approximately HK$4,717,000) in favour of CITIC Industrial Bank, Wuhan Branch in respect of a loan facility of up to the abovementioned guarantee amount granted to a jointly controlled entity of the Group. Pursuant to the loan agreement entered into between the jointly controlled entity and CITIC Industrial Bank, the guarantee provided by the Company is for a period of two years from 14th January, 2004 (renewed to 14th January, 2005), or two years from the due date of the loan facility if the loan facility becomes payable prior to 14th January, 2004 (renewed to 14th January, 2005). As at 31st December, 2003, 2004 and 2005, the loan facility was fully utilised by such jointly controlled entity.

(b) On 17th July, 2004, the Company has executed a guarantee to the extent of RMB3,000,000 (equivalent to approximately HK$2,830,000) in favour of CITIC Industrial Bank, Wuhan Branch in respect of a loan facility of up to the abovementioned guarantee amount granted to a jointly controlled entity of the Group. Pursuant to the loan agreement entered into between the jointly controlled entity and CITIC Industrial Bank, the guarantee provided by the Company is for a period of two years from 19th July, 2005 or two years from the due date of the loan facility if the loan facility becomes payable prior to 19th July, 2005. As at 31st December, 2004 and 2005 the loan facility was fully utilised by such jointly controlled entity.

(c) On 26th January, 2005, the Company has executed a corporate guarantee of RMB8,000,000 (equivalent to approximately HK$7,692,000) in favour of CITIC Industrial Bank, Wuhan Branch in respect of a loan facility of up to the abovementioned guarantee amount granted to a jointly controlled entity of the Group. Pursuant to the loan agreement entered into between the jointly controlled entity and CITIC Industrial Bank, the guarantee is for a period of two years from the due date of the loan facility. As at 31st December, 2005, the loan facility was fully utilised by such jointly controlled entity.

42. Related party transactions

(a) On 1st March, 2004, the Group entered into a loan agreement with Jingke Information, a jointly controlled entity of the Group, pursuant to which the Group agreed to grant a non-revolving secured loan of up to RMB15,000,000 (equivalent to approximately HK$14,075,000). The loan bears interest at HSBC prime rate. The effective interest rate ranged from 5% to 7.75% in 2005. The loan principal and interest thereof have expired on 31st December, 2005 and will be renewable upon terms to be agreed between the parties thereof. The loan is secured by each of the shareholders of Jingke Information by charging their respective equity interests in Jingke Information to the Group.

(b) On 26th January, 2005, the Company has executed a corporate guarantee of RMB8,000,000 (equivalent to approximately HK$7,692,000) in favour of CITIC Industrial Bank, Wuhan Branch in respect of a loan facility of up to the abovementioned guarantee amount granted to a jointly controlled entity of the Group. Pursuant to the loan agreement entered into between the jointly controlled entity and CITIC Industrial Bank, the guarantee is for a period of 2 years from the due date of the loan facility. As at 31st December, 2005, the loan facility was fully utilised by such jointly controlled entity.

(c) On 9th January, 2003 (renewed on 14th January, 2004), the Company has executed a guarantee to the extent of RMB5,000,000 (equivalent to approximately HK$4,717,000) in favour of CITIC Industrial Bank, Wuhan Branch in respect of a loan facility of up to the abovementioned guarantee amount granted to a jointly controlled entity of the Group. Pursuant to the loan agreement entered into between the jointly controlled entity and CITIC Industrial Bank, the guarantee provided by the Company is for a period of two years from 14th January, 2004 (renewed to 14th January, 2005), or two years from the due date of the loan facility if the loan facility becomes payable prior to 14th January, 2004 (renewed to 14th January, 2005). As at 31st December, 2004 and 31st December, 2005, the loan facility was fully utilised by such jointly controlled entity.

(d) On 17th July, 2004, the Company has executed a guarantee to the extent of RMB3,000,000 (equivalent to approximately HK$2,830,000) in favour of CITIC Industrial Bank, Wuhan Branch in respect of a loan facility of up to the abovementioned guarantee amount granted to a jointly controlled entity of the Group. Pursuant to the loan agreement entered into between the jointly controlled entity and CITIC Industrial Bank, the guarantee provided by the Company is for a period of two years from 19th July, 2005 or two years from the due date of the loan facility if the loan facility becomes payable prior to 19th July, 2005. As at 31st December, 2004 and 31st December, 2005, the loan facility was fully utilised by such jointly controlled entity.

43. Particulars of associates

Particulars of the Group's associates as at 31st December, 2003, 2004 and 2005 are as follows:

Name of company	Place of incorporation/ establishment/ operation	Proportion of nominal value of issued share capital/registered capital held by the Group	Principal activities
Foreign Trading Limited	BVI	45	Property investment
Joy Value Limited	BVI	45	Investment holding
Power Sheen Limited	Hong Kong	25	Applying for deregistration
Twente Company Limited	BVI/PRC	49	Property investment
Winbase Limited	Hong Kong	25	Applying for deregistration
深圳市曙光信息技術有限公司 (Shenzhen Dawning Information Technology Company Limited)	PRC	24	Computer software related business
雲南綠大地生物科技股份有限公司 (Yunnan Green-Land Biological and Science Company Limited)	PRC	20	Research, development, growing, cultivation and horticulatural sales of plants

The business structures of all the associates are corporates. Except as otherwise disclosed, all the above associates operate in their places of incorporation/establishment.

44. Subsequent events

On 29th May, 2006, the Vendors have entered into the Agreement with the Purchaser, to dispose of interest in the Disposed Companies for an aggregate consideration of RMB95,000,000 (equivalent to HK$91,346,000).

(i) Included in the consolidated income statements of the Group are the results attributable to the Disposed Companies during the Relevant Periods which are presented on a combined basis after elimination of intra-entities transactions:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	237,434	241,154	417,385
Cost of sales	(174,916)	(190,502)	(346,353)
Gross profit	62,518	50,652	71,032
Other income	682	283	11,426
Selling and distribution costs	(34,274)	(29,126)	(42,106)
Administrative expenses	(21,551)	(26,007)	(22,550)
Finance costs	(141)	(81)	(133)
Profit (loss) before taxation	7,234	(4,279)	17,669
Taxation	1,366	(837)	(4,002)
Profit (loss) for the year	8,600	(5,116)	13,667

(ii) Included in the consolidated balance sheets of the Group are the assets and liabilities attributable to the Disposed Companies as at respective balance sheet dates which are presented on a combined basis after elimination of intra-entities balances:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	7,415	4,925	7,608
Deferred tax assets	6,441	6,742	5,731
	13,856	11,667	13,339
CURRENT ASSETS			
Inventories	50,355	151,608	76,486
Trade receivables	46,559	55,667	84,223
Other receivables	23,467	34,519	19,632
Amounts due from fellow subsidiaries	2,830	–	–
Bank balances and cash	86,773	15,517	50,568
	209,984	257,311	230,909
CURRENT LIABILITIES			
Trade payables	54,633	101,425	51,904
Other payables, deposits received and accrued charges	58,985	67,691	73,884
Amount due to ultimate holding company	2,815	2,830	2,885
Amount due to intermediate holding company	17,207	24,796	27,017
Amounts due to fellow subsidiaries	193	194	198
Taxation payable	4,137	1,832	3,133
	137,970	198,768	159,021
NET CURRENT ASSETS	72,014	58,543	71,888
NET ASSETS	85,870	70,210	85,227

(iii) Included in the consolidated cash flow statements of the Group are the cash flows attributable to the Disposed Companies during the Relevant Periods which are presented on a combined basis after elimination of intra-entities transactions:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit (loss) before taxation	7,234	(4,279)	17,669
Adjustments for:			
Interest income	(194)	(284)	(114)
Interest expense	141	81	133
Depreciation and amortisation of property, plant and equipment	1,510	1,993	1,527
Impairment loss of property, plant and equipment	–	3,303	–
Loss on disposal of property, plant and equipment	185	248	54
Allowance for bad and doubtful debts	–	1,258	2,071
Reversal of allowance for bad and doubtful debts	(1,753)	–	–
Allowance for inventories	432	2,902	2,091
Reversal of allowance for inventories	–	–	(2,294)

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	7,555	5,222	21,137
(Increase) decrease in inventories	(4,012)	(103,885)	78,241
Decrease (increase) in trade receivables	45,553	(10,117)	(29,556)
(Increase) decrease in other receivables	(11,776)	(10,927)	15,551
(Increase) decrease in amounts due from fellow subsidiaries	(2,274)	2,844	–
(Decrease) increase in trade payables	(17,462)	46,498	(51,471)
Increase in other payables, deposits received and accrued charges	24,581	8,389	4,891
Increase in amount due to ultimate holding company	2,815	–	–
Increase in amount due to intermediate holding company	1,041	7,496	1,743
Decrease in amounts due to fellow subsidiaries	193	–	–
Cash generated from (used in) operations	46,214	(54,480)	40,536
Taxation paid	(938)	(3,431)	(1,596)
Net cash generated from (used in) operating activities	45,276	(57,911)	38,940

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Investing activities			
Interest received	194	284	114
Purchase of property, plant and equipment	(1,811)	(2,862)	(4,170)
Proceeds from disposal of property, plant and equipment	–	44	–
Net cash used in investing activities	(1,617)	(2,534)	(4,056)
Financing activities			
Interest paid	(141)	(81)	(133)
Dividend paid	–	(11,006)	–
Net cash used in financing activities	(141)	(11,087)	(133)
Net increase (decrease) in cash and cash equivalents	43,518	(71, 532)	34,751
Cash and cash equivalents at beginning of the year	43,767	86,773	15,517
Effect of foreign exchange rate changes	(512)	276	300
Cash and cash equivalents at end of the year, representing bank balances and cash	86,773	15,517	50,568

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its subsidiaries have been prepared in respect of any period subsequent to 31st December, 2005.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF THE DISPOSAL

(A) Introduction

The unaudited pro forma assets and liabilities statement of the Remaining Group has been prepared to illustrate the effect of the Disposal.

The unaudited pro forma assets and liabilities statement of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of illustrating the effect of the Disposal as if the Disposal took place on 31st December, 2005.

The unaudited pro forma assets and liabilities statement of the Remaining Group is based upon the audited consolidated balance sheet of the Group as at 31st December, 2005, which has been extracted from the audited consolidated financial statements of the Group for the year ended 31st December, 2005 set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma assets and liabilities statement of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma assets and liabilities statement of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 31st December, 2005. The unaudited pro forma assets and liabilities statement of the Remaining Group does not purport to predict the future financial position of the Remaining Group.

The unaudited pro forma assets and liabilities statement of the Remaining Group should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended 31st December, 2005 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The statement has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Remaining Group following completion of the Disposal.

(B) Unaudited pro forma assets and liabilities statement

	The Group as at 31st December, 2005	**Pro forma adjustments**		**Pro forma Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
Non-current assets				
Investment properties	115,000			115,000
Property, plant and equipment	35,057	(7,608)		27,449
Prepaid lease payments	4,000			4,000
Interests in associates	117,966			117,966
Interests in jointly controlled entities	13,084			13,084
Investments in securities	4,808			4,808
Deferred tax assets	5,731	(5,731)		–
	295,646			282,307
Current assets				
Properties held for sale	297,962			297,962
Inventories	76,707	(76,486)		221
Trade receivables	84,259	(84,223)		36
Other receivables	25,805	(19,632)		6,173
Receivable due from the purchaser	–		27,404	27,404
Prepaid lease payments	100			100
Amount due from Disposed Companies, net	–	30,100		30,100
Amounts due from associates	22,716			22,716
Amount due from a jointly controlled entity	4,166			4,166
Loan to a jointly controlled entity	15,610			15,610
Investments held for trading	208			208
Bank balances, deposits and cash	122,693	(50,568)	62,596	134,721
	650,226			539,417

	The Group as at 31st December, 2005	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
Current liabilities				
Trade payables	52,002	(51,904)		98
Other payables, deposits received and accrued charges	106,279	(73,884)		32,395
Taxation payable	5,618	(3,133)		2,485
	163,899			34,978
Net current assets	486,327			504,439
Net assets	781,973			786,746
Capital and reserves				
Share capital	143,533			143,533
Reserves	638,440	(85,227)	90,000	643,213
Equity attributable to equity holders of the Company	781,973			786,746

Notes:

1. The adjustment reflects the exclusion of the assets and liabilities of the Disposed Companies from the consolidated balance sheet of the Group as at 31st December, 2005.

2. The adjustment reflects the initial consideration of RMB95,000,000 (equivalent to approximately HK$91,346,000) and deducting the estimated expenses to be incurred in connection with the Disposal of approximately HK$1,346,000.

   The initial consideration of HK$91,346,000 calculated in above will be settled as to RMB66,500,000 (equivalent to approximately HK$63,942,000) by cash before or upon completion and as to RMB28,500,000 (equivalent to approximately HK$27,404,000) on or before six months after the completion in accordance with the terms of the sales and purchase agreement.

3. For illustrative purposes, amounts expressed in RMB for the purpose of the unaudited pro forma assets and liabilities statement of the Remaining Group have been translated into HK$ at the rate of RMB1.04 = HK$1.

2. UNAUDITED PRO FORMA INCOME STATEMENT AND UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF THE DISPOSAL

(A) Introduction

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been prepared to illustrate the effect of the Disposal.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of illustrating the effect of the Disposal as if the Disposal had taken place at the beginning of the year ended 31st December, 2005.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group are based upon the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31st December, 2005, which have been extracted from the audited consolidated financial statements of the Group for the year ended 31st December, 2005 set out in Appendix I to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) expected to have a continuing impact on the Remaining Group; and (iii) factually supportable.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group do not purport to describe the actual results and cash flow of the Remaining Group that would have been attained had the Disposal been completed at the beginning of the year ended 31st December, 2005 or to predict the future results and cash flow of the Remaining Group.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31st December, 2005 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The statements have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flow of the Remaining Group had the Disposal actually occurred at the beginning of the year ended 31st December, 2005 or for any future period.

(B) Unaudited pro forma income statement

	The Group for the year ended 31st December, 2005	Pro forma adjustments			Subtotal	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*		
Turnover	440,887	(417,385)		906	(416,479)	24,408
Cost of sales and services	(356,979)	346,353		(906)	345,447	(11,532)
Gross profit	83,908				(71,032)	12,876
Other income	13,772	(11,426)			(11,426)	2,346
Selling and distribution costs	(46,085)	42,106			42,106	(3,979)
Administrative expenses	(51,284)	22,550			22,550	(28,734)
Other operating expenses	(4)				–	(4)
Finance costs	(133)	133			133	–
Share of results of associates	5,916				–	5,916
Share of results of jointly controlled entities	(6,303)				–	(6,303)
Net gain on disposal of subsidiaries	–		19,582		19,582	19,582
(Loss) profit before taxation	(213)				1,913	1,700
Taxation	(4,146)	4,002			4,002	(144)
(Loss) profit for the year	(4,359)				5,915	1,556
Attributable to:						
Equity holders of the Company	(4,246)	(13,667)	19,582		5,915	1,669
Minority interests	(113)				–	(113)
	(4,359)				5,915	1,556
	HK cent					*HK cent*
(Loss) earnings per share	(0.030)				*Note 4*	0.012

(C) Unaudited pro forma cash flow statement

	The Group for the year ended 31st December, 2005	Pro forma Adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 5	*Note 2*	*Note 6*	
Operating activities					
Loss before taxation	(213)	(17,669)	19,582		1,700
Adjustments for:					
Share of results of associates	(5,916)				(5,916)
Share of results of jointly controlled entities	6,303				6,303
Interest expense	133	(133)			–
Interest income	(2,561)	114			(2,447)
Depreciation	4,083	(1,527)			2,556
Amortisation of prepaid lease payments	100				100
Loss on disposal of property, plant and equipment	2,066	(54)			2,012
Gain on disposal of subsidiaries	–		(19,582)		(19,582)
Allowance for bad and doubtful debts	2,197	(2,071)			126
Allowance for inventories	2,436	(2,091)			345
Reversal of allowance for inventories	(2,294)	2,294			–
Loss arising from change in fair value of investments held for trading	772				772
Written off of goodwill	4				4

	The Group for the year ended 31st December, 2005	Pro forma Adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 5	*Note 2*	*Note 6*	
Operating cash flows before movements in working capital	7,110				(14,027)
Decrease in properties held for sale	2,670				2,670
Decrease in inventories	80,284	(78,241)			2,043
(Increase) decrease in trade receivables	(29,550)	29,556			6
Decrease in other receivables	25,673	(15,551)			10,122
Increase in amount due from the Disposed Companies, net	–	(1,743)			(1,743)
Decrease in trade payables	(51,682)	51,471			(211)
Increase in other payables, deposits received and accrued charges	20,260	(4,891)			15,369
Cash generated from operations	54,765				14,229
Taxation paid	(1,786)	1,596			(190)
Net cash generated from operating activities	52,979				14,039

	The Group for the year ended 31st December, 2005	Pro forma Adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 5	*Note 2*	*Note 6*	
Investing activities					
Interest received	1,690	(114)			1,576
Purchase of property, plant and equipment	(5,224)	4,170			(1,054)
Disposal of subsidiaries net of cash and cash equivalents disposed	–			74,483	74,483
Acquisition of remaining interests in a subsidiary	(15)				(15)
Repayments from associates	708				708
Proceeds from disposal of property, plant and equipment	540				540
Purchase of investments in securities	(4,808)				(4,808)
Net cash (used in) generated from investing activities	(7,109)				71,430
Financing activities					
Interest paid	(133)	133			–
Repayment of bank loans	(47,170)				(47,170)
Net cash used in financing activities	(47,303)				(47,170)

	The Group for the year ended 31st December, 2005	Pro forma Adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 5	*Note 2*	*Note 6*	
Net decrease in cash and cash equivalents	(1,433)				38,299
Cash and cash equivalents at beginning of the year	123,137	(15,517)		15,517	123,137
Effect of foreign exchange rate changes	989	(300)			689
Cash and cash equivalents at end of the year	122,693				162,125
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	121,376	(49,251)		90,000	162,125
Time deposits with original maturity of less than three months	1,317	(1,317)			–
	122,693				162,125

Notes:

1. The adjustment reflects the exclusion of income and expenses attributable to the Disposed Companies for the year ended 31st December, 2005 as if the Disposal had been completed on 1st January, 2005.

2. The adjustment reflects the gain on the Disposal of HK$19,582,000 shared by the Remaining Group which is calculated based on:

   (i) the initial consideration of RMB95,000,000 (equivalent to approximately HK$91,346,000) and deducting the estimated expenses to be incurred in connection with the Disposal of approximately HK$1,346,000.

(ii) the initial consideration of HK$91,346,000 calculated in (i) above will be settled as to RMB66,500,000 (equivalent to approximately HK$63,942,000) by cash before or upon completion and as to RMB28,500,000 (equivalent to approximately HK$27,404,000) on or before six months after the completion in accordance with the terms of the Disposal.

(iii) the assets and liabilities attributable to the Disposed Companies of HK$70,210,000 as at 1st January, 2005 which included:

(a) bank balances and cash of HK$15,517,000; and

(b) other assets and liabilities of HK$54,693,000 to be disposed of under the Disposal.

(iv) release of currency translation reserve of HK$208,000.

3. The adjustment reflects the effect of reversal of elimination for intragroup transactions, being rental, between the Disposed Companies and the Remaining Group for the year ended 31st December, 2005 as if the Disposal had been completed on 1st January, 2005.

4. The calculation of pro forma basic earnings per share at 31st December, 2005 was based on the pro forma profit attributable to the equity holder of the parent of the Remaining Group of HK$1,669,000 and the weighted average number of shares in issue for the year ended 31st December, 2005 of 14,353,310,755 shares.

5. The adjustment reflects the exclusion of the cash flow of the Disposed Companies for the year ended 31st December, 2005 from the consolidated cash flow statement of the Group for the year ended 31st December, 2005.

6. The adjustment reflects the net cash inflow of the Disposal to the Remaining Group, which is based on:

(i) the consideration of RMB95,000,000 (equivalent to approximately HK$91,346,000),

(ii) the estimated expenses to be incurred in connection with the Disposal of approximately HK$1,346,000, and

(iii) cash and cash equivalent of the Disposed Companies as at 1st January, 2005.

7. For illustrative purposes, amounts expressed in RMB for the purpose of the unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been translated into HK$ at the rate of RMB1.04 = HK$1.

3. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE REMAINING GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to equity holders of the parent of the Remaining Group was prepared based on the consolidated balance sheet of the Group as at 31st December, 2005 as set out in Appendix I to this circular with adjustments to reflect the effect of the Disposal as if the Disposal had taken place on 31st December, 2005.

This unaudited pro forma statement of adjusted consolidated net tangible assets was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Remaining Group as at the date to which it is made up or at any future date.

	As at 31st December, 2005 Unaudited	**Pro forma Adjustments**	**Pro Forma Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 1)*	*(Note 3)*
Net tangible assets	781,973	4,773	786,746

Notes:

1. The adjustments include:

	HK$'000
Net consideration to be received and receivable for the Disposal	90,000
Disposed net assets attributable to equity holders of the parent as at 31st December, 2005	85,227
	4,773

2. Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the parent of the Group per share as at 31st December, 2005 based on 14,353,310,755 shares in issue as at 31st December, 2005 — 5.448 HK cents

3. Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the parent of the Remaining Group per share as at 31st December, 2005 based on 14,353,310,755 shares in issue as at 31st December, 2005 — 5.481 HK cents

4. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN HIGH-TECH HOLDINGS LIMITED

The following is the text of a report received from Deloitte Touche Tohmatsu, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this appendix:

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

We report on the unaudited pro forma financial information of Shenzhen High-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the disposal of the Group's entire interest in 北京曙光天演信息技術有限公司 (Beijing Dawning Tianyan Information Technology Company Limited), 曙光信息產業（北京）有限公司 (Dawning Information Industry (Beijing) Limited) and 62.5% interest in 北京曙光創新科技有限公司 (Beijing Dawning Novotech Co., Ltd.) might have affected the financial information presented, for inclusion in Appendix II of the circular dated 30th June, 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 107 and 110 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited 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") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

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 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 unaudited 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position and the net tangible asset position of the Group as at 31st December, 2005 or any future date; or
- the earnings per share, results and cash flows of the Group for the year ended 31st December, 2005 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30th June, 2006

I. INDEBTEDNESS

Borrowings

At the close of business on the 31st May, 2006, being the latest practicable date for this statement of indebtedness prior to printing of this circular, the Group did not have any outstanding borrowings.

Contingent liabilities

At 31st May, 2006, being the latest practicable date for this statement of indebtedness prior to printing of this circular, the Group did not have any contingent liability.

Pledge of assets and guarantees

At the close of business on 31st May, 2006, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Group did not have any pledge of assets and guarantees.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31st May, 2006, the Group did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding.

II. WORKING CAPITAL

Taking into account the Remaining Group's internal resources, the estimated net proceeds from the Disposal and in the absence of unforeseen circumstances, the Directors are of the opinion that the Remaining Group will have sufficient working capital to meet its present requirement for the next twelve months from the date of this circular.

III. TRADING AND FINANCIAL PROSPECT

It is expected that the sale of Shun Jing Yuan (also known as "Cleanfield") will commence and will generate profit for the Group in the last quarter of this year. However, the profitability of Shun Jing Yuan may be affected by a series of austerity control measures which have been or will be implemented by the PRC government including but not limited to an increase in interest rates for mortgage loans; an increase in the minimum down payment by purchasers of properties; removal of the preferential mortgage rate for residential housing; restrictions on the amount of money that can be lent to individuals for multiple investment mortgages; and a recent increase in the required reserve ratio for commercial lenders from 7.5% to 8% imposed by the People's Bank of China. Furthermore, the abilities of the Group to acquire land use rights for future development may be limited by the PRC government's tightening land supply policy.

Regarding the property leasing business of the Group, although the occupancy rate of Dawning Tower is almost 100%, the Group may not be able to maintain the occupancy rate and/or secure comparable lease terms upon expiration of the existing lease terms.

The Group will continue to look for good investment opportunities in properties, especially investment properties with stable income, high-tech business with mature technology and steady growth and expressway projects in rapid developing cities of the PRC so as to maintain a stable income with steady growth for the Group.

IV. FINANCIAL REVIEW

Liquidity, Financial Resources and Liabilities

The Group has abundant working capital and is financially strong, the Group's cash and bank deposits balances maintained at a level of approximately HK$122,693,000 as at 31st December, 2005 (31st December, 2004: approximately HK$123,137,000). The Group exercised strict credit control on accounts receivable to ensure the adequacy of the working capital. As at 31st December, 2005, total balance of accounts receivable was approximately HK$84,259,000, being 50.9% higher than last year (31st December, 2004: approximately HK$55,832,000). At the year end of 2005, the current ratio was 3.97 while it stood at 2.94 for the year end of 2004. Up to 31st December, 2005, the Company and its subsidiaries did not raise any bank loan (31st December, 2004: HK$47,170,000 of loans denominated in Renminbi with fixed interest rate of 5.5755%). As at 31st December, 2005, the Group's gearing ratio (calculated on the basis of total borrowings divided by shareholders' equity) was zero (31st December, 2004: 0.06).

Substantial Investment, Acquisitions and Disposals

The Group holds investment properties, Dawning Tower, which is a 21-storey high-tech industrial building of approximately 23,736 square metres gross floor area, completed in 2002, located in Shahe Road West, Shenzhen High-tech Park, Nan Shan District, Shenzhen City, PRC and held under medium term lease. Dawning Tower brought about an annual rental income of approximately HK$14,000,000 in year 2005. Dawning Tower achieved an occupancy rate of nearly 100%. The Group expects that the prosperity of the rental market will continue in 2006.

The Group also holds properties of Blocks 2, 11 and 13 in Shun Jing Yuan (also known as "Cleanfield") which are quality luxurious residential properties of about 17,000 square meters, equipped with clubhouse, golf course and car parking, located in Northwest Corner of Siyuan Bridge, Chaoyang District, Beijing, PRC and expected to commence sale and generate revenue for the Company in the last quarter of 2006.

The Group further holds:

(i) 20% interests in Yunnan Green-Land Biological and Science Company Limited, an associated corporation of the Company, engaged in research, development, growing, cultivation and sales of horticultural plants, which in 2005 contributed profit to the Group of approximately HK$7,901,000; the turnover of Yunnan Green-Land Biological and Science Company Limited had been growing in the past few years and such growth is expected to continue in the future few years,

(ii) 49% interests in Twente Company Limited, an associated corporation of the Company, which is engaged in property investment; the rental income of Twente Company Limited in 2005 was approximately HK$4,823,000; the location and quality of the leased property owned by the company are appealing and the occupancy rate matches that of properties of the same class; it is expected that the rental income of the company will be steady,

(iii) 45% indirect interests in Foreign Trading Limited, an associated corporation of the Company, which is engaged in property investment, albeit no profit has been shared by the Group since its acquisition; the company was inactive in 2005 and it is expected that the company will remain inactive in 2006; and

(iv) interests in Wu Han Jingke Information Co., Ltd, a jointly controlled entity of the Company which is mainly engaged in the manufacturing of quartz oscillators used in the production of various electronic products, resonators and related devices. The total sales and gross profit of Wu Han Jingke Information Co., Ltd. in 2005 reached RMB18,262,000 and RMB3,690,000, representing 95% and 180% increases over those in 2004 respectively. The company has made great progress in soliciting major accounts in 2005 and has successfully obtained the supplier certification of several major accounts in Korea and Taiwan, which are countries regarded as growth markets. It is expected that the company will enjoy a great leap in sales and gross profits in 2006.

In addition, the Group holds investment at a value of approximately HK$208,000 for trading and certain unlisted debt securities in the PRC worth approximately RMB5,000,000.

As at the Latest Practicable Date, save as and except those disclosed in this circular, the Group neither had any other substantial investment, nor made any other material acquisition or disposal of any subsidiary and associated company.

Segmental Information of the Group

For the year ended 31st December, 2005, the revenue and profits of the Group attributed to high-tech computers and servers manufacturing and related business were approximately HK$423,290,000 and HK$12,008,000 respectively while the revenue and profits attributable to the Group's rental and building management services and other business were approximately HK$17,597,000 and HK$7,745,000 respectively.

In the high-tech business, the competition was fierce in 2005. The overall gross profit was not satisfactory. The Group had strategically maintained the market share by low profit margin approach. It is expected the cost of investment in research and development in the years to come will be substantial, as there is a great demand for more advanced configuration in various kind of computer servers in the market.

In 2005, the Group was not active in the property trading, the property leasing business contributed a turnover and segmental profit of approximately HK$16,726,000 and HK$7,687,000 respectively. Since the Group has run Dawning Tower very well and the building was well received by the potential tenants in the district, it can enable a steady inflow of rental income in 2006.

Capital Expenditure

The Group had incurred an aggregate amount of approximately HK$5,224,000 as capital expenditure during the year 2005.

Employees' and Remuneration Policy

The Group hired about 700 full time employees, including managerial, executive and technical staff and production labours in China and Hong Kong as at 31st December, 2005. The total staff and directors' remuneration for the same year was HK$38,553,000. Remuneration, promotion and the magnitude of remuneration adjustment are determined according to the job duty, working performance, professional experience of the staff and the prevailing practice of the industry. All full time staff and directors in Hong Kong office have already participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board of the Group.

Foreign Exchange and Currency Risk

Since the fund derived from incomes and applied to purchases of raw materials, spare parts and equipment and the payroll were denominated in Hong Kong dollars and Renminbi; therefore, it was no need to use any financial instrument for hedging purpose, and the risk of fluctuating foreign exchange was relatively low. During the year 2005, the Group has not involved in any hedging activity. As at 31st December, 2005, cash in hand and bank balances of the Group were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

1. RESPONSIBILITY STATEMENT

This circular 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 circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"); or (b) were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

(a) Interests in the Shares

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
Mr. Wong Chung Tak	Long position	Beneficial owner	Corporate interest	3,011,271,892	17.48%

Notes:

The interests of Mr. Wong Chung Tak in the share capital of the Company are held thorough Thing On Group Limited, which entire issued share capital is beneficially owned by Mr. Wong Chung Tak.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had: (a) under Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO); (b) any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO; or (c) any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests and short positions of Shareholders discloseable under the SFO

So far as is known to the Directors, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

(a) Interests in the Shares

	Number of shares held			Percentage in
Name of shareholder	**Direct interest**	**Indirect interest**	**Total**	**total number of issued shares**
Thing On Group Limited	3,011,271,792	–	3,011,271,792	17.48%
Mr. Wong Chung Tak	–	3,011,271,792	3,011,271,792	17.48%
Shenzhen Investment Holding Corporation ("SIHC")	320,335,712	1,279,090,260	1,599,425,972	9.28%
Ultrarich International Limited ("UIL")	–	1,279,090,260	1,279,090,260	7.42%
Shenzhen International Holdings Limited ("SIHL")	–	1,279,090,260	1,279,090,260	7.42%

Name of shareholder	Number of shares held: Direct interest	Indirect interest	Total	Percentage in total number of issued shares
New Vision Limited ("NVL")	–	1,279,090,260	1,279,090,260	7.42%
Great Mind Holdings Group Limited ("GML")	1,279,090,260	–	1,279,090,260	7.42%

Notes:

(1) The entire issued share capital of Thing On Group Limited is beneficially owned by Mr. Wong Chung Tak. Both Thing On Group Limited and Mr. Wong Chung Tak are therefore deemed to have the duplicate interests in the share capital of the Company.

(2) The interest of GML in the 1,279,090,260 shares of the Company is attributed to NVL. The interest of NVL in the 1,279,090,260 shares of the Company is also attributed to SIHL, UIL and SIHC on the bases that:

(a) GML is the wholly-owned subsidiary of NVL;

(b) NVL is the wholly-owned subsidiary of SIHL;

(c) UIL controls more than one-third of the voting power at SIHL's general meetings; and

(d) UIL is the wholly-owned subsidiary of SIHC;

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or 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 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 any other members of the Group, or any options in respect of such capital.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(i) the sale and purchase agreement dated 28th December, 2004 entered into between the Group and an independent third party relating to the disposal of a subsidiary, China Vision Group Corporation and its subsidiaries including Well Green Holdings Limited;

(ii) the placing agreement dated 21st April, 2006 entered into between the Company and Quam Securities Company relating to the placing of 2,870,000,000 new Shares; and

(iii) the Equity Transfer Agreement.

4. EXPERT AND CONSENT

The following is qualification of the expert who has given opinion or advice which are contained in this circular.

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	certified public accountants

Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and references to its names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Deloitte was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either direct or indirect, in any assets which had been since 31st December, 2005 (being the date to which the latest published audited consolidated accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any members of the Group.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has a service agreement with any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective associates (as defined in the Listing Rules) were interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's businesses as at the Latest Practicable Date.

8. PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws of the Company, a resolution put to the vote of a general meeting of the Company shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws of the Company) or such resolution is specifically required to be taken on a poll under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(i) by the chairman of such meeting; or

(ii) by at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(iii) by a member or members present in person or in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(iv) by a member or members present in person or in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

(v) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares, representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

9. MISCELLANEOUS

(i) None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the businesses of the Group.

(ii) As at the Latest Practicable Date, none of the Directors and Deloitte has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31st December, 2005 (the date to which the latest published audited consolidated accounts of the Group were made up).

(iii) The qualified accountant and the company secretary of the Company is Mr. Chan King Chung, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Hong Kong Institute of Chartered Secretaries. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Units 1904-1906, 19th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(iv) The Hong Kong branch share registrar and transfer office of the Company is Standard Registrars Limited, at Level 25, Three Pacific Place, 1 Queen’s Road East, Hong Kong.

(v) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Units 1904-1906, Harbour Centre, Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for each of the financial years ended 31st December, 2004 and 2005 respectively;

(iii) the accountants' report on the Group as set out in Appendix I to this circular;

(iv) the accountants' report on the pro forma financial information of the Remaining Group from Deloitte, the text of which is out in Appendix II to this circular;

(v) the material contracts referred to in section 3 headed "MATERIAL CONTRACTS" in this appendix; and

(vi) the written consent referred to in section 4 headed "EXPERT AND CONSENT" in this appendix.

SHENZHEN HIGH-TECH HOLDINGS LIMITED
深圳科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 106)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of Shenzhen High-Tech Holdings Limited (the "Company") will be held at Units 1904-1906, 19th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 26th July, 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions:

ORDINARY RESOLUTIONS

1. **THAT** the equity transfer agreement dated 29th May, 2006 entered into between China Dawning Information Industry Group Limited, Dawning Information Industry (Shenzhen) Limited and Shenke High-Tech Industrial (Shenzhen) Limited (all being wholly owned subsidiaries of Shenzhen High-Tech Holdings Limited (the "Company")) as vendors and Tianjin Dawning Computer Industry Limited as purchaser (the "Equity Transfer Agreement") and the sale of 100% of the registered capital of Beijing Dawning Tianyan Information Technology Company Limited currently held by Dawning Information Industry (Shenzhen) Limited and Shenke High-Tech Industrial (Shenzhen) Limited (Beijing Dawning Tianyan Information Technology Company Limited in turn holds 50% of the registered capital of Dawning Information Industry (Beijing) Limited and 62.5% of the registered capital of Beijing Dawning Novotech Co., Ltd.) and 50% of the registered capital of Dawning Information Industry (Beijing) Limited currently held by China Dawning Information Industry Group Limited and other transactions contemplated in the Equity Transfer Agreement (the "Disposal") be and are hereby approved, confirmed and ratified; and

2. **THAT** any one director of the Company be and is authorized on behalf of the Company to do such acts or execute such other documents by hand or, in the case of execution of documents under seal, to do so jointly with either the secretary or a second director of the Company or a person appointed by the board of directors of the Company, which in his or their opinion may be necessary, desirable or expedient to carry out or to give effect to the Disposal pursuant to the Equity Transfer Agreement.

By Order of the Board
Shenzhen High-Tech Holdings Limited
Wong Chung Tak
Chairman

Hong Kong, 30th June, 2006

Head Office and Principal Place of Business in Hong Kong:
Units 1904-1906
19th Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.

2. In the case of the joint holders of the Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong branch share registrars of the Company, Standard Registrars Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the SGM.

4. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

5. As at the date of this notice, the directors of the Company are Mr. Wong Chung Tak, Mr. Deng Wenyun and Mr. Tse Kam Fai, being executive directors of the Company, Mr. Chen Chao and Mr. Wong Ngo, Derick, being non-executive directors of the Company and Mr. Lee Kuo Ching, Stewart, Mr. Liu Sing Piu, Chris and Miss Chong Kally, being independent non-executive directors of the Company.