

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

If you have sold or transferred all your shares in SYSCAN Technology Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferees.

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SYSCAN Technology Holdings Limited
矽感科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

**VERY SUBSTANTIAL DISPOSAL –
DISPOSAL OF EQUITY INTEREST IN
SYSCAN MANUFACTURING**

A notice convening the special general meeting of the Company (the “SGM”) to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 2:30 p.m., on Thursday, 27 December 2007, is set out on pages 119 to 120 of this circular. A form of proxy for use at the SGM is also enclosed.

Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the principal place of business and head office in Hong Kong of the Company c/o the Company Secretary at the Company’s principal place of business and head office in Hong Kong at Unit C, 21/F, Seabright Plaza, 9–23 Shell Street, North Point, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) in person if you so wish.

This circular will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com and on the Company’s website at www.syscangroup.com for at least 7 days from the date of its publication.

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

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

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

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

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
1. Introduction	5
2. The Share Transfer Agreement	6
3. Proceeds from the Share Transfer	11
4. Reasons for and Benefits of the Share Transfer	11
5. Information about the Group	11
6. Information about SYSCAN Manufacturing and SYSCAN Optoelectronics ...	12
7. Financial Effect of the Disposal	12
8. Sufficiency of Operations	13
9. Information about Rise Billion	14
10. Very Substantial Disposal	14
11. SGM	14
12. Recommendation	15
13. Additional Information	15
 APPENDIX I – ACCOUNTANTS’ REPORT	 16
 APPENDIX II – PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP	 94
 APPENDIX III – ADDITIONAL FINANCIAL INFORMATION OF THE GROUP	 101
 APPENDIX IV – PROPERTY VALUATION	 106
 APPENDIX V – GENERAL INFORMATION	 112
 NOTICE OF SPECIAL GENERAL MEETING	 119

DEFINITIONS

In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:

“associate(s)”	has the same meaning as defined in the GEM Listing Rules;
“Board”	means the board of Directors;
“Business Day”	a day (excluding Saturday) on which licensed banks in Hong Kong are open for business;
“Company”	means SYSCAN Technology Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on GEM;
“Completion”	means the completion of the Share Transfer contemplated under the Share Transfer Agreement;
“Completion Date”	means the date of completion of the Share Transfer, which shall be (i) the fifth (5th) Business Day after all the Conditions shall have been fulfilled; or (ii) such later date as the parties to the Share Transfer Agreement may agree in writing;
“Conditions”	means the conditions precedent to the Share Transfer Agreement, details of which are set out in the paragraph headed “Conditions precedent” in this circular, and “Condition” refers to any one of them;
“Consideration”	means RMB126,500,000 (equivalent to approximately HK\$132,825,000), being the cash consideration payable by Rise Billion by instalments in accordance with the timetable as set out in the paragraph under “Consideration” of this circular;
“Directors”	means the directors of the Company, including the independent non-executive directors;
“Disposal”	means the disposal by SYSCAN Holdings of 55% shareholding in SYSCAN Manufacturing pursuant to the Share Transfer Agreement;
“Divested Assets”	means the assets in the SYSCAN Industrial Park currently owned by the Group including but not limited to equipments and accounts payable/receivable that will remain as the assets of the Group upon Completion and will be divested from SYSCAN Optoelectronics on or before 31 December 2007;

DEFINITIONS

“GEM”	means the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party”	means to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, any person who is not connected to any director, supervisor, chief executive, promoter, substantial shareholder or management shareholder (both as defined in the GEM Listing Rules) of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), nor a connected person (as defined in the GEM Listing Rules);
“Latest Practicable Date”	means 30 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;

DEFINITIONS

“Litigation”	means the pending litigation in respect of a writ of summons issued from the Guangdong Province Higher People’s Court (廣東省高級人民法院) against the Company and SYSCAN Optoelectronics, by Bank of China Limited (“BOC”), Shenzhen Branch, claiming for repayment of a loan of RMB120,000,000 with a maturity date on 22 April 2006 together with interest accrued thereon, details of which were disclosed in the announcement of the Company dated 3 March 2006 and the 2006 annual report of the Company issued on 18 May 2007. As at 30 September 2007, the Company had repaid RMB32,000,000 to the banks from internal resources. According to the Share Transfer Agreement, all consideration thus received will first be applied to settle any outstanding loans with the banks and financial institutions. As at the date of this circular, all the outstanding bank loan principal (RMB88,000,000) had been repaid using the funds received in accordance to the Share Transfer Agreement. There is still an outstanding loan interest amounted to approximately RMB20,000,000 to be repaid. It is expected that all outstanding loans from banks and other financial institutions will be cleared by the end of 2007. Subject to the satisfactory completion of the Share Transfer Agreement, the Directors expect that the writ will be withdrawn by the end of 2007. Save as disclosed above, the Directors are not aware of any other contingent liability;
“Long Stop Date”	means 20 December 2007 or such later as agreed among all parties to the Share Transfer Agreement in writing;
“Notice”	means the notice convening the SGM which is set out on pages 119 to 120 of this circular;
“PRC”	means the People’s Republic of China;
“Remaining Group”	means the Group immediately after Completion;
“Rise Billion”	Rise Billion Investment Limited (億騰投資有限公司), a company incorporated in the British Virgin Islands with limited liability, an Independent Third Party;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong;

DEFINITIONS

“SGM”	means the special general meeting of the Company to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong, on Thursday, 27 December 2007 at 2:30 p.m. and the notice of which is set out on pages 119 to 120 of this circular;
“Share Transfer”	the proposed Transfer of 27,500 new shares of US\$1 each in SYSCAN Manufacturing from SYSCAN Holdings to Rise Billion subject to the terms and condition of the Share Transfer Agreement;
“Share Transfer Agreement”	the share transfer agreement (股份轉讓協議書) dated 30 October 2007 entered into among the Company, SYSCAN Manufacturing and Rise Billion, the major terms of which and the transactions contemplated thereunder are set out in the paragraph headed “The Share Transfer Agreement” in this circular;
“Shareholder(s)”	means shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“SYSCAN Holdings”	means SYSCAN Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability;
“SYSCAN Industrial Park”	means the industrial park with an area of 252,338.56 square metres located at Shuitian Village, Shiyan Town, Baoan District, Shenzhen, PRC (中國深圳市寶安區石岩鎮水田村) owned by SYSCAN Optoelectronics, all assets on which (other than the Divested Assets) are currently and will remain as the assets of SYSCAN Optoelectronics before and after Completion;
“SYSCAN Manufacturing”	means SYSCAN Manufacturing Limited (矽感數碼科技製作有限公司), an indirect wholly-owned subsidiary of the Company incorporated in the British virgin Islands with limited liability;
“SYSCAN Optoelectronics”	means 深圳矽感光電有限公司 (SYSCAN Optoelectronics Technology (Shenzhen) Co., Ltd.*), a wholly foreign owned company established in the PRC with limited liability and wholly owned by the Company indirectly through SYSCAN Holdings and SYSCAN Manufacturing;
“%”	means percentage.

* For identification purpose only



SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

Executive Directors:

Cheung Wai

Zhang Ming

Independent Non-Executive Directors:

Fong Chi Wah

Jin Qingjun

Wang Ruiping

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Head Office and Principal Place
of Business:*

Unit C, 21st Floor

Seabright Plaza

9-23 Shell Street

North Point

Hong Kong

30 November 2007

To the Shareholders of the Company

Dear Sir/Madam,

**VERY SUBSTANTIAL DISPOSAL –
DISPOSAL OF EQUITY INTEREST IN
SYSCAN MANUFACTURING**

1. INTRODUCTION

It was announced that on 30 October 2007, the Company, SYSCAN Manufacturing and Rise Billion entered into the Share Transfer Agreement, pursuant to which the parties have conditionally agreed that SYSCAN Holdings shall transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion at the Consideration of RMB126,500,000 (equivalent to approximately HK\$132,825,000).

Upon Completion, SYSCAN Manufacturing will be held as to 55% and 45% by Rise Billion and SYSCAN Holdings respectively. SYSCAN Manufacturing will cease to be a subsidiary and shall become an associate of the Company upon Completion.

* For identification purpose only

LETTER FROM THE BOARD

The Share Transfer which involves Rise Billion acquiring interest in SYSCAN Manufacturing constitutes a disposal of the Company's equity interests in a subsidiary of the Company and constitutes a very substantial disposal transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval by the Shareholders at the SGM.

The purpose of this circular is to provide you with, among other things, further information on the Share Transfer, financial information in relation to the Group, the Notice of the SGM and other information as required under the GEM Listing Rules.

2. THE SHARE TRANSFER AGREEMENT

Major terms of the Share Transfer Agreement

Date:

30 October 2007

Parties:

- (i) the Company;
- (ii) SYSCAN Manufacturing; and
- (iii) Rise Billion.

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Rise Billion and its ultimate beneficial owners are Independent Third Parties and are not connected persons of the Company as defined under the GEM Listing Rules.

The Share Transfer

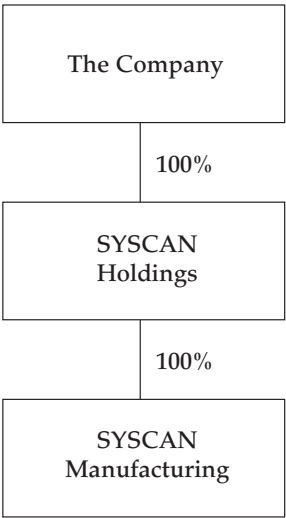
Pursuant to the Share Transfer Agreement, SYSCAN Holdings shall transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion. As at the date of this circular, the issued share capital of SYSCAN Manufacturing was US\$50,000 divided into 50,000 shares of US\$1 each and SYSCAN Manufacturing was wholly-owned by the Company through SYSCAN Holdings. Upon completion of the Share Transfer, 55% of the issued share capital of SYSCAN Manufacturing shall be owned by Rise Billion. Such 27,500 shares of SYSCAN Manufacturing will be transferred to Rise Billion by two (2) instalments upon Rise Billion's payment of Consideration by instalments on the respective due dates as set out in detail under the paragraph headed "Consideration" below. Upon the payments of the 1st and 2nd instalments by Rise Billion, 22,500 and 5,000 shares of SYSCAN Manufacturing will be transferred to Rise Billion respectively. SYSCAN Holdings' shareholding interest in SYSCAN Manufacturing will decrease from 100% to 45% as a result of the Share Transfer. SYSCAN Manufacturing will cease to be a subsidiary and shall become an associate of the Company upon completion of the Share Transfer.

LETTER FROM THE BOARD

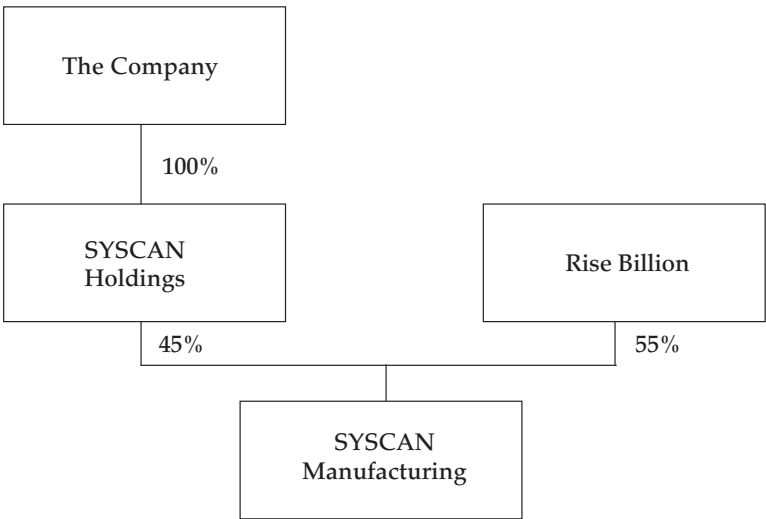
Pursuant to the Share Transfer Agreement, the relevant procedures in respect of each transfer of shares of SYSCAN Manufacturing shall be completed within five (5) Business Days upon receipt of the relevant instalment of Consideration by the Company.

The following diagrams illustrate the corporate structure of SYSCAN Manufacturing as at the date of this circular and immediately after completion of the Share Transfer.

Corporate structure of SYSCAN Manufacturing as at the date of this circular:



Corporate structure of SYSCAN Manufacturing immediately after the Share Transfer:



LETTER FROM THE BOARD

Consideration

Pursuant to the Share Transfer Agreement, the Company agreed to transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion at the Consideration of RMB126,500,000 (equivalent to approximately HK\$132,825,000) payable by 2 instalments to a bank account designated by the Company in accordance with the following timetable:

Instalment	Payment Due Date	Amount
1st	31 October 2007, 2:00 p.m.	RMB103,500,000
2nd	30 November 2007, 2:00 p.m.	RMB23,000,000

The payment method (by two (2) instalments) was agreed by the Company and Rise Billion after arm's length negotiation which is a commercial decision.

As at 31 October 2007, 2:00p.m., Rise Billion had paid HK\$50,000,000 (equivalent to approximately RMB47,619,050) to the Company in respect of the 1st instalment. The Company and SYSCAN Manufacturing have since agreed to extend the payment date in respect of the 1st instalment until 13 November 2007, 12 noon, for Rise Billion to pay the remaining balance of the 1st instalment, i.e. RMB55,880,950 (equivalent to approximately HK\$58,675,000). As at the Latest Practicable Date, Rise Billion has paid the 1st instalment of RMB103,500,000 in full. The 2nd instalment of RMB23,000,000 remained outstanding as at the Latest Practicable Date. The Company and SYSCAN Manufacturing have agreed to extend the payment date of the 2nd instalment until 5 December 2007.

The Consideration of RMB126,500,000 (equivalent to approximately HK\$132,825,000) was determined after arm's length negotiation between the parties to the Share Transfer Agreement with reference to the audited net asset value of SYSCAN Optoelectronics (the only subsidiary of SYSCAN Manufacturing) of approximately RMB46,000,000 (equivalent to approximately HK\$48,300,000) for the year ended 31 December 2006. The Consideration attributed to the Company in the amount of RMB11,500,000 (equivalent to approximately HK\$12,075,000) (after deducting HK\$120,750,000 for repayment of debts owed by SYSCAN Optoelectronics to banks and non-banking financial institutions) represents a discount of approximately 45% of 55% of the audited net asset value of SYSCAN Optoelectronics as at 31 December 2006 in the amount of RMB25,300,000 (equivalent to HK\$26,565,000).

LETTER FROM THE BOARD

Conditions precedent

Completion of the Share Transfer is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

1. the payment of the 1st instalment of RMB103,500,000 by Rise Billion to the Company before 2:00 p.m. on 31 October 2007, which was subsequently agreed by the parties to be extended to 13 November 2007;
2. the payment of the 2nd instalment of RMB23,000,000 by Rise Billion to the Company before 2:00 p.m. on 30 November 2007, which was subsequently agreed by the parties to be extended to 5 December 2007;
3. approval of the Share Transfer by the Shareholders at the SGM having been obtained in accordance with the GEM Listing Rules; and
4. no event having occurred which suggests that there has been a breach of any of the warranties or other provisions of the Share Transfer Agreement by Rise Billion in any material respect.

Completion

Subject to the fulfillment of all the Conditions, the Completion shall take place on the Completion Date, which shall be (i) the fifth (5th) Business Day after all the Conditions shall have been fulfilled; or (ii) such later date as the parties to the Share Transfer Agreement may agree in writing.

Rights and Obligations of the Company and Rise Billion

The rights and obligations of the Company under the Share Transfer Agreement include but not limited to the following:

- (1) the Divested Assets currently owned by the Group will remain as the assets of the Group upon Completion and will be divested from SYSCAN Optoelectronics on or before 31 December 2007;
- (2) the Company shall not enter into any new debt arrangement using the name of SYSCAN Optoelectronics;
- (3) prior to Completion, the Company shall procure SYSCAN Manufacturing and SYSCAN Optoelectronics to conduct their businesses in the way as they have been conducted from time to time;

LETTER FROM THE BOARD

- (4) the Company shall continue to own 50% of the total area of all dorm and restaurant in plant A and management building B of SYSCAN Industrial Park upon Completion and can allow a third party to use these areas; and
- (5) the Company shall be entitled to the rights and obligations as a shareholder in accordance with its shareholding in SYSCAN Manufacturing.

The rights and obligations of Rise Billion under the Share Transfer Agreement include but not limited to the following:

- (1) upon payment of all the Consideration in the amount of RMB126,500,000, Rise Billion shall be entitled to put forward a development proposal of the SYSCAN Industrial Park provided that the floor area ratio shall not be less than 2.5. With the consent of the Company and the unanimous consent of the directors of SYSCAN Manufacturing and SYSCAN Optoelectronics, the Company and Rise Billion shall plan, design, increase the floor area ratio and to construct the premises in accordance with the proposal agreed between the Company and Rise Billion;
- (2) upon payment of the 1st instalment of the Consideration in the amount of RMB103,500,000, Rise Billion shall be entitled to use certain premises in the SYSCAN Industrial Park at no cost;
- (3) upon obtaining 55% of the shareholding in SYSCAN Manufacturing, Rise Billion shall be entitled to 55% of the ownership right and exploration and usage rights of the unexplored land of the SYSCAN Industrial Park and the property constructed thereon owned by SYSCAN Manufacturing; and
- (4) Rise Billion shall be entitled to the rights and obligations as a shareholder in accordance with its shareholding in SYSCAN Manufacturing.

Termination

Unless all the Conditions are fulfilled on or before the Long Stop Date, the Share Transfer Agreement shall be automatically terminated. In the event that Rise Billion shall fail to pay the relevant instalment of Consideration according to the time-table as set out in the paragraph headed "Consideration" in this circular and within the grace period given by the Company, the Company shall have the options to either (i) terminate the Share Transfer Agreement, retain all Consideration already paid by Rise Billion and withdraw the shares of SYSCAN Manufacturing transferred to Rise Billion; or (ii) demand payment of the unpaid amount of Consideration.

LETTER FROM THE BOARD

3. PROCEEDS FROM THE SHARE TRANSFER

The proceeds from the Share Transfer of approximately RMB115,000,000 (equivalent to approximately HK\$120,750,000) will be used by the Group to repay the debts owed by SYSCAN Optoelectronics to banks and non-banking financial institutions. The balance of the proceeds from the Share Transfer, after deduction of estimated expenses of approximately RMB1,000,000 (equivalent to approximately HK\$1,050,000), is currently estimated to be approximately RMB10,500,000 (equivalent to approximately HK\$11,025,000) will be used to further reduce the debts and liabilities of the Group due from SYSCAN Optoelectronics.

4. REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

SYSCAN Optoelectronics, an indirect wholly-owned subsidiary of the Company, is currently indebted to banks and non-banking financial institutions. The Company is acting as a guarantor to the indebtedness of SYSCAN Optoelectronics in the sum of RMB115,000,000 (equivalent to approximately HK\$120,750,000). The Directors confirm that the Disposal is advantageous to the Company and the Shareholders as a whole, in that a) it releases the Group-guaranteed loans owed by SYSCAN Optoelectronics to banks and non-banking financial institutions; b) it eases the Group's financial burden as a result of the reduction of the Group's debts and liabilities due from SYSCAN Optoelectronics; and c) it introduces a strategic partner for the better development of SYSCAN Industrial Park, from which the Group will further benefit. The Directors further confirm that the Company will hold its 45% interest in SYSCAN Manufacturing as long term investment.

The Board confirms that the terms of the Share Transfer Agreement are negotiated on arm's length basis, fair and reasonable and in the interests of the Shareholders as a whole.

5. INFORMATION ABOUT THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the design, research, development, manufacturing and distribution of optical image capturing devices and related components. The geographical segments of the abovementioned businesses are mainly located in the United States of America and the PRC.

The audited turnover of the Group for the two years ended 31 December 2005 and 31 December 2006 were approximately HK\$66,555,000 and HK\$92,690,000 respectively.

The audited net loss attributable to the equity holders of the Group for the two years ended 31 December 2005 and 31 December 2006 were approximately HK\$99,435,000 and HK\$11,600,000 respectively.

The audited net asset value of the Group for the two years ended 31 December 2005 and 31 December 2006 were approximately HK\$18,501,000 and HK\$15,535,000 respectively.

LETTER FROM THE BOARD

6. INFORMATION ABOUT SYSCAN MANUFACTURING AND SYSCAN OPTOELECTRONICS

SYSCAN Manufacturing is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Company through SYSCAN Holdings (a wholly owned subsidiary of the Company). As at the date of this circular, the registered share capital of SYSCAN Manufacturing is US\$50,000 of US\$1 each.

SYSCAN Manufacturing has not carried on any business activities since its incorporation and has no material assets other than holding of the entire issued share capital of SYSCAN Optoelectronics. SYSCAN Optoelectronics is a wholly foreign owned enterprise established in the PRC with limited liability and is a property holding company. SYSCAN Optoelectronics currently holds the land use right certificate (土地使用權證) of SYSCAN Industrial Park for a validity period of 50 years from July 2001.

As at 31 December 2006, SYSCAN Manufacturing and SYSCAN Optoelectronics had consolidated net liabilities of RMB70,277,000 (equivalent to approximately HK\$70,277,000). The following table shows certain financial information of SYSCAN Manufacturing (consolidated with the results of SYSCAN Optoelectronics) for the two years ended 31 December 2006:

	For the year ended 31 December 2005	For the year ended 31 December 2006
Net profit/(loss) (after taxation and extraordinary items)	HK\$(18,608,598)	HK\$(45,990,057)
Net profit/(loss) (before taxation and extraordinary items)	HK\$(18,608,598)	HK\$(45,990,057)

7. FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that, upon Completion, the Group will record a profit from the Share Transfer of approximately HK\$70,900,000 which will be recorded in the consolidated profit and loss accounts of the Group for the year ending 31 December 2007. The profit on the Share Transfer is calculated based on the net proceeds of the Share Transfer of approximately HK\$132,825,000; and (ii) the cost of assets to be disposed by the Group and the liabilities to be borne by the Group (including indebtedness owed by SYSCAN Manufacturing to banks and other non-banking financial institutions, accounts payable and inter-company liabilities) less the relevant part of reserves released on the Disposal and the remaining 45% shareholding owned by the Group in SYSCAN Manufacturing upon Completion, in the amount of approximately HK\$61,925,000.

The total assets and liabilities of the Group will be reduced as a result of the Disposal. However, the Remaining Group's net asset will increase due to the gain on Disposal.

LETTER FROM THE BOARD

Upon Completion, SYSCAN Manufacturing will cease to be a subsidiary and become an associate of the Company. The Group's investment in SYSCAN Manufacturing will then be reclassified to investment in associate and will be accounted for under the equity method whereby the Group will take up its share of profit or loss of SYSCAN Manufacturing and SYSCAN Optoelectronics pursuant to its 45% shareholding in SYSCAN Manufacturing.

8. SUFFICIENCY OF OPERATIONS

The Group recorded an audited turnover and gross profit of approximately HK\$92,690,000 and HK\$24,977,000 respectively for the year ended 31 December 2006. SYSCAN Manufacturing is an investment holding company and SYSCAN Optoelectronics (the only subsidiary of SYSCAN Manufacturing) is a property holding company with no actual operations. During the year ended 31 December 2006, both SYSCAN Manufacturing and SYSCAN Optoelectronics recorded no turnover. The consolidated net liabilities of SYSCAN Manufacturing and SYSCAN Optoelectronics was approximately HK\$70,277,000 for the year ended 31 December 2006 when compared with the Group's net assets of HK\$15,535,000 during the same year. For the year ended 31 December 2006, the Group had 325 employees, 4 of whom were employed by SYSCAN Manufacturing and SYSCAN Optoelectronics. Upon Completion, SYSCAN Manufacturing and SYSCAN Optoelectronics will become indirect associates of the Company and will be beneficially owned by the Company as to 45%. As confirmed by the Directors, SYSCAN Manufacturing and SYSCAN Optoelectronics have not carried out any business activities other than property holding (in respect of SYSCAN Optoelectronics only) since their incorporation. In this regard, the Share Transfer and the Disposal will not have any negative impact on the continuous operations of the Group. The remaining Group will continue to carry on the existing business activities, that is, design, research, development, manufacturing and distribution of optical image capturing devices and related components after the Share Transfer and the Disposal. The remaining Group will carry out a sufficient level of operations to warrant the continued listing of the Company's shares after the Share Transfer and the Disposal. It is estimated that (i) the profitability of the Group will be improved as SYSCAN Manufacturing and SYSCAN Optoelectronics have been making losses for the two years ended 31 December 2006; and (ii) the cash inflow as a result of the Shares Transfer to be used for the repayment of the indebtedness owed by SYSCAN Optoelectronics can release the Company's obligations as a guarantor and as a result reducing the risk exposed by the Group.

In short, save that the Group's ownership in the SYSCAN Industrial Park will be reduced from 100% to 45% as a result of the Share Transfer and the Disposal, there will not be any significant change in overall business operations of the Group after Completion. The Directors believe that the existing level of the Group's operation, which includes design, research, development, manufacturing and distribution of optical image capturing devices and related components, is sufficient for the purpose of Rule 17.26 of the GEM Listing Rules. As confirmed by the Directors, the remaining Group will, upon Completion, continue carrying on the aforesaid business activities, actively develop new products and seek for strategic partners in order to bring in new revenue for the Group. The Directors also confirm that the Group may continue to use the premises in the SYSCAN Industrial Park at no cost.

LETTER FROM THE BOARD

9. INFORMATION ABOUT RISE BILLION

Rise Billion is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Rise Billion and its ultimate beneficial owners are Independent Third Parties and are not connected persons of the Company as defined under the GEM Listing Rules.

10. VERY SUBSTANTIAL DISPOSAL

The Disposal contemplated under the Share Transfer Agreement constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. According to Rule 19.49 of the GEM Listing Rules, the Share Transfer is conditional upon the approval by the Shareholders at the SGM to be convened. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Rise Billion and its ultimate beneficial owners are Independent Third Parties and are not connected persons of the Company as defined under the GEM Listing Rules and none of the Shareholders has any material interest in the Share Transfer other than through their interest in the Company. No Shareholder will be required to abstain from voting in respect of the proposed resolution to approve the Share Transfer at the SGM.

11. SGM

The notice of SGM is set out on pages 119 to 120 of this circular. At the SGM, the Directors will seek the approval by the Shareholders of the Share Transfer.

A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy must be deposited at the principal place of business and head office of the Company in Hong Kong at Unit C, 21/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong together with the power or attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

Under bye-law 70 of the bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

1. by the chairman of such meeting;
2. by at least three Shareholders present in person or in case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting;

LETTER FROM THE BOARD

3. by a Shareholder or Shareholders present in person or in case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
4. by a Shareholder or Shareholders present in person or in case of a Shareholder 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.

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

12. RECOMMENDATION

The Board is of the opinion that the terms of the Share Transfer Agreement are fair and reasonable and the Share Transfer is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution of the Company to be proposed at the SGM.

13. ADDITIONAL INFORMATION

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

By order of the board of
SYSCAN TECHNOLOGY HOLDINGS LIMITED
Cheung Wai
Chairman

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Cachet Certified Public Accountants Limited, Hong Kong.



Cachet Certified Public Accountants Limited

德揚會計師事務所有限公司

Suite 913, 9/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

30 November 2007

The Board of Directors
SYSCAN Technology Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding SYSCAN Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 December 2004, 2005 and 2006 and for the five months ended 31 May 2007 (the "Relevant Periods") and the comparative financial information of the Group for the five months ended 31 May 2006, prepared on the basis set out in Note 1 to Section I below, for inclusion in the circular (the "Circular") issued by the Company dated 30 November 2007 in connection with a share transfer agreement (the "Share Transfer Agreement") dated 30 October 2007 entered into among the Company, SYSCAN Manufacturing Limited ("SYSCAN Manufacturing") (a wholly-owned subsidiary of the Company) and Rise Billion ("Rise Billion"), a third party independent of and not connected with the Group. Pursuant to the Share Transfer Agreement, SYSCAN Holdings shall transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion at a consideration of RMB126,500,000 (equivalent to approximately HK\$132,825,000). Upon completion of the Share Transfer, SYSCAN Manufacturing will cease to be a subsidiary and shall become an associate of the Group. The Share Transfer constitutes a very substantial disposal (the "Disposal") of SYSCAN Manufacturing under the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is subject to the approval by the shareholders of the Company at a special general meeting of the Company to be convened and held. SYSCAN Manufacturing, through its subsidiary, is engaged principally in the development of industrial properties in the People's Republic of China (the "PRC").

The Company was incorporated in Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Group has adopted 31 December as its financial year end date for statutory reporting purposes.

During the Relevant Periods, the principal activity of the Company was investment holding and the principal activities of the Group were the design, research, development, manufacture and distribution of optical capturing devices, chips and other optoelectronic products.

For the purpose of this report, the Directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (which also includes Statements of Standard Accounting Practice and Interpretations) ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. We have audited the consolidated financial statements of the Group and the financial statements of each of subsidiaries comprising the Group for the five months ended 31 May 2007 in accordance with Standards of Auditing Standards ("SAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial statements of the Group, the Company and its subsidiaries for the years ended 31 December 2004, 2005 and 2006 were audited by Messrs CCIF CPA Limited.

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for the Relevant Periods in accordance with the SAs and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the reporting accountant" issued by the HKICPA.

We have performed a review of the comparative financial information (the "31 May 2006 Financial Information") which includes the consolidated results and consolidated cash flows of the Group for the five months ended 31 May 2006, together with the notes thereon, in accordance with SAS 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquires of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excluded audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than the audit or examination procedures described in preceding paragraph, and accordingly, we do not express an audit opinion on the financial information for the five months ended 31 May 2006.

The Financial Information of the Group for the Relevant Periods as set out in this report have been prepared and are presented on the basis as set out in Note 1 to Section I below.

The Financial Information together with the notes thereto are the responsibility of the Directors of the Company who approve their issuance. The Directors of the Company are responsible for the content of the Circular relating to the Group in which this report is included. It is our responsibility to compile the Financial Information together with the notes thereto, to form an independent opinion on such information and to report our opinion to you.

Basis of disclaimer of opinion*1. Limitation of scope*

On 29 March 2004, SYSCAN Imaging Limited ("SIL", a wholly-owned subsidiary of the Company) and SYSCAN Inc. ("SI", a wholly-owned subsidiary of the SIL) entered into a share exchange agreement (the "Share Exchange Agreement") with an overseas listed company and its principal shareholder, pursuant to which the principal shareholder of the overseas listed company and SIL agreed to exchange shares between the overseas listed company and SI. SIL exchanged 100% equity interest in SI for 81.23% equity interest in the overseas listed company so that upon completion of the share exchange arrangement, the Company would indirectly hold 81.23% equity interest in the overseas listed company. In addition, SIL agreed to grant an option to the overseas listed company, pursuant to which the overseas listed company had the right to acquire from SIL the entire issued capital of SYSCAN Manufacturing Limited ("SYSCAN Manufacturing") at a consideration of not less than USD16 million (equivalent to approximately HK\$124.8 million) during a period of 2 years commencing from the date of completion of the Share Exchange Agreement.

On 2 April 2004, the overseas listed company announced that it had completed the acquisition of 100% of the issued and outstanding capital stock of SI. As at 31 December 2004, the register of members of the overseas listed company listed SIL as holding 81.23% of the overseas listed company.

However, on 12 May 2004, the directors of the Company announced in Hong Kong that the Share Exchange Agreement constituted a discloseable transaction for the Company under the GEM Listing Rules and that the Stock Exchange of Hong Kong Limited (the "Stock Exchange") had indicated that the transactions contemplated pursuant to the Share Exchange Agreement to be a proposed spin-off (the "Proposed Spin-off") of SI and SYSCAN Manufacturing and "therefore the transactions and the Proposed Spin-off would be conditional on, inter alia, the approval of GEM Listing Committee and the independent shareholders of the Company". SI was then a major subsidiary of the Company (as defined in the GEM Listing Rules), the transactions constituted a material dilution of the Company's interest in SI. The announcement also stated that the Company would apply for the approval of the Stock Exchange to proceed with the Proposed-Spin-off, as further detailed in the Company's announcement on 12 May 2004.

In November 2004, the Stock Exchange was informed by the Company that the shares of SI had not been and will not be transferred to the overseas listed company; unless and until the Proposed Spin-off and the transactions were approved by the GEM Listing Committee and the independent shareholders of the Company.

On 26 January 2005, the directors of the Company wrote to the overseas listed company to terminate the Share Exchange Agreement. On even date, the directors of the Company announced in Hong Kong that the "Share Exchange Agreement was terminated on 26 January 2005 given that to date, almost 10 months after the signing of the Share Exchange Agreement, the Proposed Spin-off has not yet been approved by the GEM Listing Committee". The termination was announced on the web-site of the Stock Exchange on 26 January 2005.

Due to the conflicting information as indicated in the preceding paragraphs, inadequate and inconclusive information regarding the shareholder of SI as at 31 December 2004, in the absence of any conclusive and overriding evidence confirming whether the information released by the directors of the Company would legally and conclusively prevail over the information released by the overseas listed company and in the absence of any legal opinion on the validity and enforceability of the Share Exchange Agreement; therefore we are unable to form an opinion as to whether the Financial Information give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and for the loss and cashflow of the Group for the year then ended.

2. *Limitation of scope – No direct access to the books and records of a major subsidiary*

The financial position, results and cash flows of SI have been consolidated into the Financial Information of the Group based on its unaudited management accounts for the year ended 31 December 2005 as the directors of the Company had no direct access to the books and records of SI, which was incorporated in the United States of America ("USA") and whose operations principally comprised the design, development and sales of optical image capturing devices and modules, and was controlled by a former director of the Company. Consequently, the directors cannot substantiate or otherwise support transactions undertaken by SI and the directors cannot ensure the nature, timing, completeness, appropriateness of classifications and disclosures in respect of the transactions undertaken by SI and the related balances as included in these Financial Information or whether any additional disclosures are required. In the opinion of the directors, as SI is a major subsidiary of the Group, its financial position, results and cash flows for the year ended 31 December 2005 would have a material impact on the Group's Financial Information.

As a result of the foregoing, we have been unable to obtain sufficient audit evidence or perform alternative audit procedures to satisfy ourselves as to the nature, timing, completeness, appropriateness of classifications and disclosures in respect of the transactions undertaken by SI and the related balances as included in the Financial Information and as to whether any additional disclosures are required. In addition, we have not been provided with sufficient evidence to satisfy ourselves as to the shareholding of SI held by the Group as at and for the year ended 31 December 2005.

3. *Limitation of scope – Disposal of subsidiaries*

As further explained in note 34(b)(ii) to the Financial Information for the year ended 31 December 2006 and for the five months ended 31 May 2006, on 18 May 2006 (the "Disposal Date"), the Group disposed of SIL (the "SIL Group"). Details in connection with the disposal were set out in the Company's circular dated 25 April 2006. The Directors had no direct access to the books and records of the SIL Group as the Disposed Group was controlled by a former director of the Company. In addition, we were unable to carry out alternative audit procedures to obtain sufficient and appropriate evidence on the Financial Information of the SIL Group for the period ended 18 May 2006. Consequently, we were unable to satisfy ourselves as to whether the value of the net assets of the SIL Group disposed of by the Group as at the Disposal Date was fairly stated and correspondingly,

the loss on disposal of HK\$377,000 arising thereon, the net outflow of cash and cash equivalents of HK\$4,487,000 and the other amounts related to the SIL Group included in the Group's consolidated cash flow statement; and the revenue of HK\$33,880,000 and profit after tax of HK\$4,094,000 included in the consolidated income statement of the Group for the year ended 31 December 2006 and for the five months ended 31 May 2006.

4. *Limitation of scope – carrying amount of interest in associates and provision for impairment of amount due from associates*

As at 31 December 2005, 31 December 2006 and 31 May 2007, included in the consolidated balance sheet were interest in associates of HK\$32,403,000 and HK\$33,134,000, and HK\$35,216,000, respectively, the amount due from an associate of HK\$17,512,000, HK\$Nil, and HK\$4,000, respectively, stated net of a provision for impairment loss against the amount of HK\$1,619,000, HK\$20,284,000 and HK\$20,284,000, respectively, of which HK\$19,886,000 was charged to the consolidated income statement for the year ended 31 December 2006, and an amount due to an associate of HK\$39,040,000, HK\$38,579,000 and HK\$39,601,000 as detailed in note 19 to the Financial Information. We were not provided with sufficient and appropriate evidence to satisfy ourselves as to whether the amounts were fairly stated and free from material misstatement and were unable to obtain sufficient evidence or carry out alternative audit procedures on the value of the share of net assets of the associates, the amount due from or to the associates as at 31 December 2005, 31 December 2006 and 31 May 2007 and the share of losses of associates of HK\$565,000 and HK\$nil for the year ended 31 December 2006 and for the five months ended 31 May 2006 and 31 May 2007, respectively, included in the Financial Information.

5. *Impairment of intangible assets, available-for-sale investment and interest in subsidiaries*

In the course of our audit, we were not provided with sufficient audit evidence to assess the valuation of intangible assets of HK\$2,551,000 and available-for-sale investment of HK\$9,342,000 as stated in the consolidated balance sheet as at 31 December 2005 and the valuation of interest in subsidiaries of HK\$50,640,000 as stated in the Company's balance sheet as at 31 December 2005. There were no other satisfactory alternative audit procedures that we could perform to quantify the extent of the impairment losses made in respect of the amounts of intangible assets, available-for-sale investment and interest in subsidiaries. Any adjustments found to be necessary to the above amounts would affect the amounts in the Group's consolidated balance sheet as at 1 January 2006 and the Group's consolidated income statement for the year ended 31 December 2006 and for the five months ended 31 May 2006.

6. *Trade payables, accruals and other payables*

Included in trade payables of HK\$25,707,000, accruals and other payables of HK\$28,369,000 as stated in the consolidated balance sheet as at 31 December 2005 were trade and other creditors of HK\$50,736,000, we were unable to obtain confirmations from these creditors or other supporting evidence to satisfy ourselves as to the nature of the recorded balances due to these creditors and whether the recorded balances were fairly

stated. Any adjustments found to be necessary to the above amounts would affect the amounts in the Group's consolidated balance sheet as at 1 January 2006 and the Group's consolidated income statement for the year ended 31 December 2006 and for the five months ended 31 May 2006.

7. *Provision for impairment of trade and other receivables, write-down of inventories, research and development expenses*

Included in the consolidated income statement for the year ended 31 December 2005 were provision for impairment of trade and other receivables of HK\$20,191,000, write down of inventories of HK\$29,235,000 to net realisable value and research and development expenses of HK\$30,285,000, we were not provided with sufficient evidence to satisfy ourselves as to whether the amounts were free from material misstatement. Any adjustments found to be necessary to the above amounts would affect the amounts in the Group's consolidated balance sheet as at 1 January 2006 and the Group's consolidated income statement for the year ended 31 December 2006 and for the five months ended 31 May 2006.

Qualification arising from material uncertainties relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 to the Financial Information which describes the liquidity issues and financial difficulties experienced by the Group and the measures undertaken by the Group to ensure that adequate cash resources are available to the Group. Specifically, the Group carrying on as a going concern is dependent upon the completion of the Share Transfer Agreement and the loan restructuring agreement detailed in note 1 to the Financial Information.

The Financial Information have been prepared on a going concern basis, the validity of which depends upon the continuing financial support from its major banker and successful outcome of the measures undertaken as described in note 1 to the Financial Information to ensure that adequate cash resources are available to meet the Group's future working capital and financial requirements. The Financial Information do not include any adjustments that may be necessary should the implementation of the above measures be unsuccessful. We consider that appropriate disclosures have been made. However, in view of the extent of the material uncertainties relating to the measures mentioned above that may cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion. The Financial Information do not include any adjustments that would be necessary if the various measures as described above fail to take place. Any adjustment to the Financial Information may have a consequential significant effect on the Group's consolidated loss for the Relevant Periods and the Group's consolidated net assets as at 31 December 2004, 31 December 2005, 31 December 2006 and 31 May 2007.

Disclaimer of opinion: disclaimer on view given by financial information

Because of the significance of (i) the possible effects of the scope limitations in evidence made available to us in each of the areas as set out in paragraphs (1) to (7) detailed in the basis of disclaimer of opinion section and (ii) the material uncertainties relating to the going concern basis detailed in the above paragraph, we do not express an opinion on the Financial Information as to whether they gave a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2004, 31 December 2005, 31 December 2006 and 31 May 2007, respectively and of the loss and cash flows of the Group for the Relevant Periods. In all other respects, in our opinion, the Financial Information have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Review conclusion

Because of the significance of (i) the possible effects of the scope limitations in evidence made available to us in each of the areas as set out in paragraphs (3) to (7) detailed in the basis of disclaimer of opinion section and (ii) the material uncertainties relating to the going concern basis detailed in the above paragraph, we are unable to reach a review conclusion as to whether material modifications should be made to the 31 May 2006 Financial Information.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group as at 31 December 2004, 2005 and 2006 and 31 May 2007 and for each of the years ended 31 December 2004, 2005 and 2006 and the five months ended 31 May 2006 and 2007, prepared on the basis set out in Note 1 below.

It should be noted that the figures as stated below are different from the figures as shown in the published accounts. This is because the consolidated income statements below were presented in such a way that the results of the disposal group were segregated and regarded as discontinued operations. Readers should read in conjunction with the results of the discontinued operations as shown in note 11 on page 56 where a detailed breakdown thereof were shown. The figures for the continuing operations and the discontinued operations add up to the figures as shown in the relevant published figures. Accordingly, no adjustment was made by the Reporting Accountants against the figures as shown in the published accounts.

Consolidated Income Statements of the Group

		Year ended 31 December			Five months ended 31 May	
		2004	2005	2006	2006	2007
	Notes	HK\$'000 Audited	HK\$'000 Audited	HK\$'000 Audited	HK\$'000 Unaudited	HK\$'000 Audited
CONTINUING OPERATIONS						
Revenue	4, 5	79,917	66,555	92,690	25,035	36,446
Cost of sales		(52,516)	(42,359)	(67,713)	(22,924)	(31,950)
Gross profit		27,401	24,196	24,977	2,111	4,496
Other income	5	35,158	2,331	4,530	3,081	1,602
Selling and distribution expenses		(16,058)	(10,450)	(5,953)	(1,144)	(1,650)
General and administrative expenses		(14,130)	(49,329)	(19,753)	(11,288)	(5,634)
Research and development expenses		(13,758)	(39,195)	(4,657)	(657)	(1,492)
Other operating expenses		(14,977)	(13,476)	(21,959)	(22,973)	(1,594)
Loss from continuing operations		3,636	(85,923)	(22,815)	(30,870)	(4,272)
Finance costs	7	(2,902)	(3,635)	(5,120)	(4)	(618)
Gain on deemed disposal of subsidiaries	34(a)	4,228	2	–	–	–
Loss on disposal of subsidiaries	34(b)	(9,440)	(472)	(377)	(377)	–
Negative goodwill on acquisition of a subsidiary	34(c)	–	8,911	–	–	–
Share of losses of associates		(42)	(1,660)	(565)	(468)	–
Loss before taxation	6	(4,520)	(82,777)	(28,877)	(31,719)	(4,890)
Tax	10	(7)	(7)	(2)	(28)	(27)
Loss for the year/period from continuing operations		(4,527)	(82,784)	(28,879)	(31,747)	(4,917)

	Notes	Year ended 31 December			Five months ended 31 May	
		2004	2005	2006	2006	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Audited	Audited	Audited	Unaudited	Audited
DISCONTINUED OPERATION						
Profit/(Loss) for the year/period from a discontinued operation	11	(19,356)	(17,304)	15,829	18,852	398
Loss for the year/period		<u>(23,883)</u>	<u>(100,088)</u>	<u>(13,050)</u>	<u>(12,895)</u>	<u>(4,519)</u>
Attributable to:						
Equity holders of the Company	12	(23,040)	(99,435)	(11,600)	(12,738)	(4,519)
Minority interests		<u>(843)</u>	<u>(653)</u>	<u>(1,450)</u>	<u>(157)</u>	<u>-</u>
		<u>(23,883)</u>	<u>(100,088)</u>	<u>(13,050)</u>	<u>(12,895)</u>	<u>(4,519)</u>
Loss per share attributable to ordinary equity holders of the Company:	13					
Basic						
- For loss for the year/period		<u>(22.5 cents)</u>	<u>(97.1 cents)</u>	<u>(4.6 cent)</u>	<u>(12.4 cents)</u>	<u>(1.1 cents)</u>
- For loss from continuing operations		<u>(3.6 cents)</u>	<u>(80.2 cents)</u>	<u>(10.9 cents)</u>	<u>(30.9 cents)</u>	<u>(1.2 cents)</u>
Diluted						
- For loss for the year/period		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
- For loss from continuing operations		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Consolidated Balance Sheets of the Group

		31 December			31 May
		2004	2005	2006	2007
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Audited	Audited	Audited	Audited
NON CURRENT ASSETS					
Intangible assets	14	2,967	2,551	877	854
Goodwill	15	3,305	–	–	–
Property, plant and equipment	16	41,364	23,154	14,073	12,417
Property under development	17	127,807	141,134	157,229	–
Interest in associates	19	34,377	32,403	33,134	35,216
Available-for-sale investments	20	–	9,342	–	–
Investment securities	21	9,342	–	–	–
		<u>219,162</u>	<u>208,584</u>	<u>205,313</u>	<u>48,487</u>
CURRENT ASSETS					
Inventories	22	33,355	5,860	3,097	1,362
Trade receivables	23	23,167	8,286	11,918	7,162
Prepayments, deposits and other receivables	24	16,467	1,680	40,669	57,044
Due from an associate	19	–	17,512	–	5
Cash and cash equivalents	25	23,162	8,140	4,919	5,728
		<u>96,151</u>	<u>41,478</u>	<u>60,603</u>	<u>71,301</u>
Assets of a disposal group classified as held for sale	11	–	–	–	175,403
Total current assets		<u>96,151</u>	<u>41,478</u>	<u>60,603</u>	<u>246,704</u>
CURRENT LIABILITIES					
Bank loans, secured	26	140,520	137,999	144,084	19,397
Trade payables	27	27,164	25,707	24,840	19,850
Accruals and other payables	28	8,763	28,369	37,890	40,980
Due to a director	29	–	–	4,590	5,868
Due to associates	19	17,136	39,040	38,579	39,601
		<u>193,583</u>	<u>231,115</u>	<u>249,983</u>	<u>125,696</u>
Liabilities directly associated with assets classified as held for sale	11	–	–	–	161,460
Total current liabilities		<u>193,583</u>	<u>231,115</u>	<u>249,983</u>	<u>287,156</u>
NET CURRENT LIABILITIES		<u>(97,432)</u>	<u>(189,637)</u>	<u>(189,380)</u>	<u>(40,452)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>121,730</u>	<u>18,947</u>	<u>15,933</u>	<u>8,035</u>
NON CURRENT LIABILITIES					
Bank loans, secured	26	(616)	(446)	(398)	–
NET ASSETS		<u>121,114</u>	<u>18,501</u>	<u>15,535</u>	<u>8,035</u>

	<i>Notes</i>	31 December			31 May
		2004	2005	2006	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		Audited	Audited	Audited	Audited
EQUITY					
Total equity attributable to the equity holders of the Company					
Issued capital	31	1,024	1,024	4,095	4,095
Reserves		114,283	16,027	11,440	3,940
		<u>115,307</u>	<u>17,051</u>	<u>15,535</u>	<u>8,035</u>
Minority interests		<u>5,807</u>	<u>1,450</u>	<u>–</u>	<u>–</u>
Total equity		<u>121,114</u>	<u>18,501</u>	<u>15,535</u>	<u>8,035</u>

Balance Sheets of the Company

		31 December			31 May
		2004	2005	2006	2007
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Audited	Audited	Audited	Audited
NON CURRENT ASSETS					
Interest in subsidiaries	18	54,057	50,640	–	–
CURRENT ASSETS					
Prepayments, deposits and other receivables	24	460	460	35,616	35,701
Cash and cash equivalents		11	9	11	3
		471	469	35,627	35,704
CURRENT LIABILITIES					
Accruals and other payables		789	1,980	4,204	3,681
Due to a director	29	–	–	4,240	4,240
		789	1,980	8,444	7,921
NET CURRENT ASSETS/ (LIABILITIES)		(318)	(1,511)	27,183	27,783
TOTAL ASSETS LESS CURRENT LIABILITIES		53,739	49,129	27,183	27,783
NON CURRENT LIABILITIES					
Financial guarantee	30	(115,385)	(116,577)	(132,020)	(141,569)
NET LIABILITIES		(61,646)	(67,448)	(104,837)	(113,786)
EQUITY					
Issued capital	31	1,024	1,024	4,095	4,095
Reserves	32	(62,670)	(68,472)	(108,932)	(117,881)
		(61,646)	(67,448)	(104,837)	(113,786)

Consolidated Statements of Changes in Equity of the Group

	Attributable to equity holders of the parent								Total equity HK\$'000 Audited
	Share capital HK\$'000 Audited	Share premium account HK\$'000 Audited	Capital reserves HK\$'000 Audited	Statutory reserves fund HK\$'000 Audited	Exchange reserve HK\$'000 Audited	Accumulated losses HK\$'000 Audited	Total HK\$'000 Audited	Minority interests HK\$'000 Audited	
Balance at 1 January 2004	1,024	79,107	198,068	439	1,592	(141,563)	138,667	1,518	140,185
Elimination of									
accumulated losses	-	(79,107)	-	-	-	79,107	-	-	-
Exchange adjustments	-	-	-	-	(313)	-	(313)	-	(313)
Equity contribution by									
a minority shareholder	-	-	-	-	-	-	-	4,386	4,386
Deemed disposal of									
a subsidiary	-	-	-	-	-	-	-	746	746
Disposal of a subsidiary	-	-	-	-	(7)	-	(7)	-	(7)
Loss for the year	-	-	-	-	-	(23,040)	(23,040)	(843)	(23,883)
Balance at									
31 December 2004	<u>1,024</u>	<u>-</u>	<u>198,068</u>	<u>439</u>	<u>1,272</u>	<u>(85,496)</u>	<u>115,307</u>	<u>5,807</u>	<u>121,114</u>
Balance at 1 January 2005	1,024	-	198,068	439	1,272	(85,496)	115,307	5,807	121,114
Effect of adoption									
HKFS 3 on negative goodwill	-	-	-	-	-	564	564	-	564
	1,024	-	198,068	439	1,272	(84,932)	115,871	5,807	121,678
Exchange adjustments	-	-	-	-	580	-	580	-	580
Deemed disposal of									
a subsidiary	-	-	(2)	-	28	-	26	24	50
Disposal of a subsidiary	-	-	-	-	9	-	9	(221)	(212)
Acquisition of									
a subsidiary	-	-	-	-	-	-	-	(3,507)	(3,507)
Loss for the year	-	-	-	-	-	(99,435)	(99,435)	(653)	(100,088)
Balance at									
31 December 2005	<u>1,024</u>	<u>-</u>	<u>198,066</u>	<u>439</u>	<u>1,889</u>	<u>(184,367)</u>	<u>17,051</u>	<u>1,450</u>	<u>18,501</u>

Attributable to equity holders of the parent									
	Share capital <i>HK\$'000</i> Audited	Share premium account <i>HK\$'000</i> Audited	Capital reserves <i>HK\$'000</i> Audited	Statutory reserves fund <i>HK\$'000</i> Audited	Exchange reserve <i>HK\$'000</i> Audited	Accumul- ated losses <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited	Minority interests <i>HK\$'000</i> Audited	Total equity <i>HK\$'000</i> Audited
Balance at 1 January 2006	1,024	-	198,066	439	1,889	(184,367)	17,051	1,450	18,501
Shares issued arising from open offer (note 31)	3,071	6,141	-	-	-	-	9,212	-	9,212
Exchange adjustments	-	-	-	-	872	-	872	-	872
Loss for the year	-	-	-	-	-	(11,600)	(11,600)	(1,450)	(13,050)
Balance at 31 December 2006	<u>4,095</u>	<u>6,141</u>	<u>198,066</u>	<u>439</u>	<u>2,761</u>	<u>(195,967)</u>	<u>15,535</u>	<u>-</u>	<u>15,535</u>
Balance at 1 January 2007	4,095	6,141	198,066	439	2,761	(195,967)	15,535	-	15,535
Exchange adjustments	-	-	-	-	(2,981)	-	(2,981)	-	(2,981)
Loss for the period	-	-	-	-	-	(4,519)	(4,519)	-	(4,519)
Balance at 31 May 2007	<u>4,095</u>	<u>6,141</u>	<u>198,066</u>	<u>439</u>	<u>(220)</u>	<u>(200,486)</u>	<u>8,035</u>	<u>-</u>	<u>8,035</u>

Consolidated Cash Flow Statements

		Year ended 31 December			Five months ended 31 May	
		2004	2005	2006	2006	2007
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss for the year/period		(23,883)	(100,088)	(13,050)	(12,895)	(4,519)
Adjustment for:						
Tax – continuing operations		7	7	2	28	27
– discontinued operation	11	–	–	–	20	25
		(23,876)	(100,081)	(13,048)	(12,847)	(4,467)
Adjustments for:						
Amortisation of intangible assets		494	470	513	65	51
Amortisation of negative goodwill		(30)	–	–	–	–
Amortisation of goodwill		204	–	–	–	–
Depreciation of property, plant and equipment		6,245	6,383	5,877	2,449	1,977
Impairment loss of goodwill	6	–	3,869	–	–	–
Finance costs	7	5,636	4,644	7,419	4	618
Interest income	5	(88)	(73)	(114)	(3)	(14)
Loss/(Gain) on disposal of property, plant and equipment	6	(595)	3,079	208	–	–
Gain on disposal of intangibles assets and machinery	34(d)	–	–	(15,904)	–	–
Gain on deemed disposal of subsidiaries	34(a)	(4,228)	(2)	–	–	–
Loss on disposal of subsidiaries	34(b)	9,440	472	377	377	–
Negative goodwill on acquisition of a subsidiary	34(c)	–	(8,911)	–	–	–
Impairment loss on trade and other receivables	6	14,977	20,191	–	–	1,594
Write-back of impairment loss on trade and other receivables	6	–	–	(1,793)	(1,312)	–
Write-down of inventories	6	–	29,235	376	5,715	–
Share of loss of associates		42	1,660	565	468	–
Write-back of impairment loss of an associate	6	–	(733)	–	–	–
Write-back of impairment loss on inventories	6	(2,000)	–	–	–	–
Impairment loss on an available-for-sale investment	6	–	–	1,560	–	–
Impairment loss on amount due from an associate	6	–	–	19,886	1,619	–
Trade payables written off		–	(456)	(1,412)	–	–
Operating (loss)/profit before working capital changes		6,221	(40,253)	4,510	(3,465)	(241)
Decrease/(increase) in inventories		12,912	(2,779)	(3,909)	(7,445)	2,756
Decrease/(increase) in trade receivables		1,430	14,814	(11,393)	(15,604)	3,162
Decrease/(increase) in prepayments, deposits and other receivables		(5,616)	3,436	(34,518)	(6,601)	(18,965)
Increase in amount due to a director		–	–	4,590	3	1,278
Increase/(decrease) in trade payables		10,945	(3,095)	6,255	4,172	(4,990)
Increase/(decrease) in other payables		11,216	15,560	20,289	47,465	7,750
Cash generated from/(used in) operations		37,108	(12,317)	(14,176)	18,525	(9,250)
Interest received		88	73	114	3	14
Interest paid		(7,710)	(7,751)	(1,649)	(4)	(618)
Overseas taxes paid		(7)	(7)	(2)	(48)	(52)
Net cash inflow/(outflow) from operating activities		29,479	(20,002)	(15,713)	18,476	(9,906)

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(2,991)	(1,762)	(897)	–	(165)
Proceeds from disposal of property, plant and equipment	1,006	12,961	20,955	–	85
Proceeds from disposal of long term investment	4,717	–	–	–	–
Additions to property under development	(2,027)	(7,762)	(5,440)	(2,598)	–
Cash outflow from deemed disposal of a subsidiary	34(a) (1,200)	(8)	–	–	–
Cash inflow/(outflow) from disposal of a subsidiary	34(b) (4,048)	23	(4,487)	(4,487)	–
Cash inflow from acquisition of a subsidiary	34(c) –	4,062	–	–	–
Decrease/(increase) in interests in associates and amounts due from/to associates	(42,527)	3,535	(1,634)	(16,301)	1,017
Net cash inflow/(outflow) from investing activities	(47,070)	11,049	8,497	(23,386)	937
CASH FLOWS FROM FINANCING ACTIVITIES					
Inception/(Repayment) of short term bank loans	12,073	(2,435)	(2,063)	8,636	10,579
Repayment of interest-bearing borrowings	(152)	(256)	–	–	–
Shares issued arising from open offer	–	–	9,212	–	–
Equity contribution by a minority shareholder of a subsidiary	4,386	–	–	–	–
Net cash inflow/(outflow) from financing activities	16,307	(2,691)	7,149	8,636	10,579
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,284)	(11,644)	(87)	3,726	1,610
Cash and cash equivalents at beginning of year	24,759	23,162	8,140	8,140	4,919
Effect of foreign exchange rate changes, net	(313)	(3,378)	(3,154)	(2,483)	(801)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>23,162</u>	<u>8,140</u>	<u>4,919</u>	<u>9,383</u>	<u>5,728</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	<u>23,162</u>	<u>8,140</u>	<u>4,919</u>	<u>9,383</u>	<u>5,728</u>

Notes to Financial Information

1 BASIS OF PREPARATION

The Group sustained consolidated loss attributable to equity holders of the Company of HK\$4,519,000 (years ended 31 December 2004, 2005 and 2006: HK\$23,040,000, HK\$99,435,000 and HK\$11,600,000, respectively) for the five months ended 31 May 2007. At 31 May 2007, the Group had consolidated net current liabilities of HK\$40,452,000 (31 December 2004, 2005 and 2006: HK\$97,432,000, HK\$189,637,000 and HK\$189,380,000, respectively) and bank loans of HK\$19,397,000 (31 December 2004, 2005 and 2006: HK\$140,375,000, HK\$138,445,000 and HK\$144,482,000, respectively) of which HK\$19,397,000 (31 December 2004, 2005 and 2006: HK\$Nil, HK\$116,577,000 and HK\$132,020,000, respectively).

During the Relevant Periods, the Group experienced financial difficulties and was unable to repay the bank loans. As explained in note 37, the major bank had applied to the court in Guangdong, the PRC, to freeze the land, which was pledged as collateral for the bank loans plus the outstanding interest due.

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence on a going concern basis:

- (a) the directors are seeking supports from the banker to further extend the payment term of a bank loan of HK\$12,000,000, the current term of which will expire on 28 March 2007;
- (b) on 17 July 2007, the Group entered into an agreement with its major banker for the rescheduling and extension of the above-mentioned overdue loan with outstanding interest, as detailed in note 37;
- (c) as detailed in note 11, on 30 October 2007, the Group entered into a share transfer agreement (the "Share Transfer Agreement") with an independent third party, pursuant to which SYSCAN Holdings shall transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion at a consideration of RMB126,500,000 (equivalent to approximately HK\$132,825,000). The proceeds will be used primarily for the repayment of the bank loans as referred to item (b) above. The Share Transfer was conditional upon, among other things, the passing by the shareholders of the Company at a special general meeting of the Company to be convened and held; and
- (d) the directors have adopted various cost control measures to reduce various general and administrative and other operating expenses.

In the opinion of the directors, in light of the measures adopted, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the Financial Information on a going concern basis.

Should the Group be unable to achieve the other measures mentioned above, particularly the above-mentioned Share Transfer, and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the Financial Information.

Basis of consolidation

The consolidated financial information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Details of the subsidiaries of the Company are set out in note 18 below.

2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted all of the new and revised HKFRSs issued by the HKICPA that are effective for the financial periods beginning on or before 1 January 2007 in the preparation of the Financial Information for the Relevant Periods.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the preparation of the Financial Information for the Relevant Periods:

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangement ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual period beginning on or after 1 January 2009

² Effective for annual period beginning on or after 1 March 2007

³ Effective for annual period beginning on or after 1 January 2008

⁴ Effective for annual period beginning on or after 1 July 2008

The Directors of the Company have assessed the impact of these new and revised HKFRSs upon initial application and anticipate that the application of these new and revised HKFRSs will have no a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on the acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognized immediately in the income statement.

The excess for the associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profit or loss in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less cost to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other asset or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained that in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Land and buildings	– Over the shorter of the unexpired term of lease and the estimated useful lives, being no more than 50 year after the date of completion
Plant and machinery	– 10% - 20%
Furniture, fixtures and office equipment	– 20% - 30%
Motor vehicles	– 20%
Leasehold improvements	– 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Property under development

Property under development are stated at cost, which includes land costs and construction costs incurred and other costs attributable to the construction of the related assets and other related expenses capitalized during the development period, less any impairment losses. No depreciation is provided in respect of properties under development until the construction work is completed.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premium under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition available for sale financial assets are measured at fair values with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognized at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of semi-finished goods, work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the income statements as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are incurred.
- (c) grants and subsidies from the government, at their fair values when there is reasonable assurance that the grants/subsidy will be received and all attached conditions are complied with. Grant or subsidy that compensates the Group for expenses incurred are recognised as revenue, on a systematic basis in the same periods in which the expenses are incurred. Where the grant or subsidy relates to an asset, the fair value is deducted in arriving at the carrying amount of the related asset.
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

Retirement benefit

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefits plans operated by the relevant municipal and provincial social insurance management bodies in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries during the year or in accordance with the requirements of the operators of the plans. The contributions payable are charged as an expense to the income statement as incurred. The Group has no obligation for payment of retirement benefits beyond the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

Estimation uncertainty

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

Property, plant and equipment and property under development

The Group assesses annually whether property, plant and equipment and property under development have any indication of impairment. The recoverable amounts of property, plant and equipment and property under development have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates.

Impairment loss on inventories

Inventories are written down to net realizable value based on an assessment of the realisability of inventories. Impairment losses on inventories are recorded where events and changes in circumstances indicate that the balances may not be realised. The identification of impairment loss requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and impairment loss of inventories in the periods in which such estimate has been changed.

Impairment loss on trade and other receivables

In determining whether any of the trade and other receivables is impaired, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) optical image capturing devices units;
- (ii) modules units;
- (iii) chips and other electronic products unit; and
- (iv) LCD and CRT monitors.

For the year ended 31 December 2004

	Optical image capturing devices unit	Modules unit	Chips and other opto- electronic products unit	LCD and CRT monitors	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited	Audited
Revenue	47,901	6,681	21,779	115,978	192,339
Segment result	(5,738)	(800)	(2,609)	(13,893)	(23,040)
Unallocated operating income and expenses					10,054
Loss from operation					(12,986)
Finance costs					(5,636)
Negative goodwill on acquisition of a subsidiary					-
Gain on deemed disposal of a subsidiary					4,228
Loss on disposal of subsidiaries					(9,440)
Share of losses of associates					(42)
Income tax					(7)
Loss for the year					(23,883)

	Optical image capturing devices unit <i>HK\$'000</i> Audited	Modules unit <i>HK\$'000</i> Audited	Chips and other opto- electronic products unit <i>HK\$'000</i> Audited	LCD and CRT monitors <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Depreciation and amortisation					8,267
Impairment loss on:					
– goodwill					204
– available-for-sale investments					–
Segment assets	74,260	10,358	33,762	179,797	298,177
Segment liabilities	44,097	6,150	20,049	106,767	177,063
Capital expenditure	745	104	339	1,803	2,991

For the year ended 31 December 2005

	Optical image capturing devices unit <i>HK\$'000</i> Audited	Modules unit <i>HK\$'000</i> Audited	Chips and other opto- electronic products unit <i>HK\$'000</i> Audited	LCD and CRT monitors <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Revenue	48,094	5,745	12,716	–	66,555
Segment result	(59,830)	(7,148)	(15,819)	–	(82,797)
Unallocated operating income and expenses					(19,421)
Loss from operation					(102,218)
Finance costs					(4,644)
Negative goodwill on acquisition of a subsidiary					8,911
Gain on deemed disposal of a subsidiary					2
Loss on disposal of subsidiaries					(472)
Share of losses of associates					(1,660)
Income tax					(7)
Loss for the year					(100,088)
Depreciation and amortisation	4,952	592	1,309	–	6,853
Impairment loss on:					
– goodwill	3,869	–	–	–	3,869
– available-for-sale investments	–	–	–	–	–
Segment assets	180,699	21,588	47,775	–	250,062
Segment liabilities	167,330	19,990	44,241	–	231,561
Capital expenditure	1,273	152	337	–	1,762

For the year ended 31 December 2006

	Optical image capturing devices unit HK\$'000 Audited	Modules unit HK\$'000 Audited	Chips and other opto- electronic products unit HK\$'000 Audited	LCD and CRT monitors HK\$'000 Audited	Total HK\$'000 Audited
Revenue	84,530	–	8,160	–	92,690
Segment result	(4,964)	–	(479)	–	(5,443)
Unallocated operating income and expenses					756
Loss from operation					(4,687)
Finance costs					(7,419)
Negative goodwill on acquisition of a subsidiary					–
Gain on deemed disposal of a subsidiary					–
Loss on disposal of subsidiaries					(377)
Share of losses of associates					(565)
Income tax					(2)
Loss for the year					(13,050)
Depreciation and amortisation	5,827	–	563	–	6,390
Impairment loss on:					
– goodwill	–	–	–	–	–
– available-for-sale investments	1,560	–	–	–	1,560
Segment assets	242,506	–	23,410	–	265,916
Segment liabilities	228,338	–	22,043	–	250,381
Capital expenditure	818	–	79	–	897

For five months ended 31 May 2007

	Optical image capturing devices unit HK\$'000 Audited	Modules unit HK\$'000 Audited	Chips and other opto- electronic products unit HK\$'000 Audited	LCD and CRT monitors HK\$'000 Audited	Total HK\$'000 Audited
Revenue	34,567	75	1,804	–	36,446
Segment result	(5,571)	(12)	(291)	–	(5,874)
Unallocated operating income and expenses					1,602
Loss from operation					(4,272)
Finance costs					(618)
Negative goodwill on acquisition of a subsidiary					–
Gain on deemed disposal of a subsidiary					–
Loss on disposal of subsidiaries					–
Share of losses of associates					–
Income tax					(27)
Loss for the year					(4,917)
Depreciation and amortisation					1,925
Impairment loss on:					
– goodwill					–
– available-for-sale investments					–
Segment assets	109,242	–	10,546	–	119,788
Segment liabilities	114,630	–	11,066	–	125,696
Capital expenditure	150	–	15	–	165

(b) Geographical segment

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

For the year ended 31 December 2004 / As at 31 December 2004

	Taiwan	PRC	The United States of America	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited	Audited	Audited	Audited
Revenue	108,162	32,895	45,447	5,835	192,339
Segment assets	3	267,310	–	48,000	315,313

For the year ended 31 December 2005

	Taiwan	PRC	The United States of America	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited	Audited	Audited	Audited
Revenue	348	14,054	44,629	7,524	66,555
Segment assets	–	217,724	29,745	2,593	250,062

For the year ended 31 December 2006 / As at 31 December 2006

	Taiwan	PRC	The United States of America	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited	Audited	Audited	Audited
Revenue	–	13,276	77,116	2,298	92,690
Segment assets	–	217,913	–	48,003	265,916

For five months ended 31 May 2007 / As at 31 May 2007

	Taiwan	PRC	The United States of America	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited	Audited	Audited	Audited
Revenue	–	1,587	34,847	–	36,446
Segment assets	–	98,164	–	21,624	119,788

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade discounts and returns and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Revenue					
Sale of merchandises					
– Optical image capturing devices	47,901	48,094	84,530	24,877	35,648
– Modules of optical image capturing devices	6,681	5,745	–	–	–
– Chips and other optoelectronic products	21,214	12,716	8,160	158	798
– LCD and CRT monitors	3,556	–	–	–	–
	<u>79,352</u>	<u>66,555</u>	<u>92,690</u>	<u>25,035</u>	<u>36,446</u>
Design fees – high speed module	565	–	–	–	–
	<u>79,917</u>	<u>66,555</u>	<u>92,690</u>	<u>25,035</u>	<u>36,446</u>
Other income and gains					
Exchange gain, net	314	74	495	–	–
Interest income	88	73	114	3	14
Reversal of impairment loss on trade receivables	–	–	1,793	–	–
Reversal of impairment loss on inventories	2,000	–	–	–	1,021
Subsidy income (note (i))	2,143	1,390	716	361	–
Gain on disposal of property, plant & equipment	595	–	–	–	–
Income from sale of patent rights	30,000	–	–	–	–
Trade payables written off (note (ii))	–	456	1,412	1,611	–
Other	18	338	–	1,106	567
	<u>35,158</u>	<u>2,331</u>	<u>4,530</u>	<u>3,081</u>	<u>1,602</u>
Total revenue, other income and gains	<u>115,075</u>	<u>68,886</u>	<u>97,220</u>	<u>28,116</u>	<u>38,048</u>

Notes:

- (i) During the year ended 31 December 2006, the Group received cash subsidies from certain mainland China Government bodies totaling of HK\$716,000 (2005: HK\$1,390,000).
- (ii) On 31 December 2006, the Company entered into an agreement with a former subsidiary for the disposal of certain plant and machinery and patents by the Company to settle the amount owed by the Group to the former subsidiary. The disposal resulted in a gain of HK\$15,904,000. Further details are set out in note 34(d).

- (iii) During the year ended 31 December 2006 and the five months ended 31 May 2006, certain trade creditors with outstanding balance amounted to RMB2,342,000 took legal actions against the Group demanding for repayment of amounts due to them. As part of the settlement agreement, these creditors in total waived RMB1,440,000 for immediate settlement. The waiver was accounted for as other revenue in the consolidated income statements for the year ended 31 December 2006 and for the five months ended 31 May 2006.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Cost of inventories sold (including depreciation)	162,679	42,359	67,713	22,924	30,008
Depreciation of property, plant & equipment	6,245	6,383	5,877	2,449	1,977
Loss on disposal of items of property, plant and equipment	–	3,079	208	–	–
Loss on disposal of a subsidiary	9,440	472	377	377	–
Minimum lease payments under operating leases on land and buildings	2,081	1,967	829	62	87
Auditors' remuneration					
– audit services	560	410	480	377	382
– other services	–	–	710	–	–
Employee benefits expense (including directors' remuneration (<i>note 8</i>)):					
Wages and salaries	28,284	23,114	16,633	6,746	4,062
Retirement benefits contributions	725	428	409	356	104
	<u>29,009</u>	<u>23,542</u>	<u>17,042</u>	<u>7,102</u>	<u>4,166</u>
Reversal of impairment loss on amount due from an associate	–	(733)	–	–	–
Impairment loss on amount due from an associate	–	–	19,886	1,619	–
Impairment loss on trade and other receivables	14,977	20,191	–	–	1,594
Impairment loss on inventories	–	29,235	376	5,715	–
Impairment loss on available- for-sale investment	–	–	1,560	–	–
Write-back of impairment loss on trade receivables	–	–	(1,793)	(1,312)	–
Write-back of impairment loss on inventories	(2,000)	–	–	–	(1,021)
Amortisation of intangible assets	494	470	513	65	51
Amortisation of goodwill	204	–	–	–	–
Impairment loss on goodwill	–	3,869	–	–	–
Bank interest income	(88)	(73)	(114)	(3)	(14)
Gain on deemed disposal of a subsidiary	–	(2)	–	–	–
Negative goodwill on acquisition of a subsidiary	–	(8,911)	–	–	–
Subsidy income	<u>(2,143)</u>	<u>(1,390)</u>	<u>(716)</u>	<u>(361)</u>	<u>–</u>

7. FINANCE COSTS

	Year ended 31 December			Five months ended	
	2004	2005	2006	31 May	2007
	HK\$'000	HK\$'000	HK\$'000	2006	2007
	Audited	Audited	Audited	Unaudited	Audited
Interest on bank loans repayable within 5 years	7,665	7,716	12,113	3,848	5,200
Interest on bank loans repayable after 5 years	45	35	316	4	944
	<u>7,710</u>	<u>7,751</u>	<u>12,429</u>	<u>3,852</u>	<u>6,144</u>
Less: amounts capitalised into property under development (<i>note</i>)	(2,074)	(3,107)	(5,010)	(3,848)	(5,200)
	<u>5,636</u>	<u>4,644</u>	<u>7,419</u>	<u>4</u>	<u>944</u>

Note: During the year ended 31 December 2006, interest on bank loans repayable within 5 year of HK\$5,010,000 (years ended 31 December 2004 and 2005: HK\$2,074,000 and HK\$3,107,000, respectively) was capitalised as construction expenditure included in property under development. The borrowing costs have been capitalized at a rate of 7% to 9% per annum (years ended 31 December 2004 and 2005: 5.58% per annum and 6%-8% per annum, respectively).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Five months ended	
	2004	2005	2006	31 May	2007
	HK\$'000	HK\$'000	HK\$'000	2006	2007
	Audited	Audited	Audited	Unaudited	Audited
Fees:					
Executive	–	–	–	–	–
Independent non-executive	240	360	360	150	160
Other emoluments:					
Executive:					
Salaries, allowances and benefits in kind	3,311	2,069	1,847	765	686
Retirement benefits contributions	17	25	24	10	10
	<u>3,568</u>	<u>2,454</u>	<u>2,231</u>	<u>925</u>	<u>856</u>

The number of directors whose remuneration fell within the following band is as follows

	Number of directors				
	Year ended 31 December			Five months ended	
	2004	2005	2006	31 May	
	HK\$'000 Audited	HK\$'000 Audited	HK\$'000 Audited	2006 HK\$'000 Unaudited	2007 HK\$'000 Audited
Nil – HK\$1,000,000	6	6	4	5	6
HK\$1,000,001 – HK\$1,500,000	1	1	1	–	–
HK\$1,500,001 – HK\$2,000,000	1	–	–	–	–
	<u>8</u>	<u>7</u>	<u>5</u>	<u>5</u>	<u>6</u>

Year ended 31 December 2004

	Fees HK\$'000 Audited	Salaries, allowances and benefits in kind HK\$'000 Audited	Retirement benefits contributions HK\$'000 Audited	Total emoluments HK\$'000 Audited
Executive directors:				
Chan Man Ching (<i>note (a)</i>)	–	200	5	205
Cheung Wai	–	1,356	12	1,368
Darwin Hu (<i>note (a)</i>)	–	1,560	–	1,560
Wong Chung, John (<i>note (a)</i>)	–	80	–	80
Zhang Fu (<i>note (a)</i>)	–	115	–	115
Independent non executive directors:				
Fong Chi Wah	120	–	–	120
Lo Wai Ming (<i>note (d)</i>)	120	–	–	120
Jin Qingjun	–	–	–	–
	<u>240</u>	<u>3,311</u>	<u>17</u>	<u>3,568</u>

Year ended 31 December 2005

	Fees HK\$'000 Audited	Salaries, allowances and benefits in kind HK\$'000 Audited	Retirement benefits contributions HK\$'000 Audited	Total emoluments HK\$'000 Audited
Executive directors:				
Chan Man Ching (<i>note (a)</i>)	–	468	12	480
Cheung Wai	–	1,374	12	1,386
Darwin Hu (<i>note (a)</i>)	–	203	–	203
Zhang Fu (<i>note (a)</i>)	–	24	1	25
Independent non executive directors:				
Fong Chi Wah	120	–	–	120
Lo Wai Ming (<i>note (d)</i>)	120	–	–	120
Jin Qingjun	120	–	–	120
	<u>360</u>	<u>2,069</u>	<u>25</u>	<u>2,454</u>

Year ended 31 December 2006

	Fees HK\$'000 Audited	Salaries, allowances and benefits in kind HK\$'000 Audited	Retirement benefits contributions HK\$'000 Audited	Total emoluments HK\$'000 Audited
Executive directors:				
Chan Man Ching (<i>note (a)</i>)	–	503	12	515
Cheung Wai	–	1,344	12	1,356
Independent non executive directors:				
Fong Chi Wah	120	–	–	120
Lo Wai Ming (<i>note (d)</i>)	120	–	–	120
Jin Qingjun	120	–	–	120
	<u>360</u>	<u>1,847</u>	<u>24</u>	<u>2,231</u>

Five months ended 31 May 2006

	Fees HK\$'000 Audited	Salaries, allowances and benefits in kind HK\$'000 Audited	Retirement benefits contributions HK\$'000 Audited	Total emoluments HK\$'000 Audited
Executive directors:				
Chan Man Ching (<i>note (a)</i>)	–	200	5	205
Cheung Wai	–	565	5	570
Independent non executive directors:				
Fong Chi Wah	50	–	–	50
Lo Wai Ming (<i>note (d)</i>)	50	–	–	50
Jin Qingjun	50	–	–	50
	<u>150</u>	<u>765</u>	<u>10</u>	<u>925</u>

Five months ended 31 May 2007

	Fees HK\$'000 Audited	Salaries, allowances and benefits in kind HK\$'000 Audited	Retirement benefits contributions HK\$'000 Audited	Total emoluments HK\$'000 Audited
Executive directors:				
Cheung Wai	–	566	5	571
Zhang Ming (<i>note (b)</i>)	–	120	5	125
Independent non executive directors:				
Fong Chi Wah	50	–	–	50
Lo Wai Ming (<i>note (d)</i>)	50	–	–	50
Jin Qingjun	50	–	–	50
Wang Ruiping (<i>note (c)</i>)	10	–	–	10
	<u>160</u>	<u>686</u>	<u>10</u>	<u>856</u>

Notes:

- (a) Mr. Wong Chung, John, Mr. Darwin Hu, Mr. Zhang Fu and Mr. Chan Man Ching resigned as directors on 10 November 2004, 19 January 2005, 31 March 2005 and 31 December 2006, respectively.
- (b) Mr. Zhang Ming was appointed as an executive director on 2 February 2007.
- (c) Mr. Wang Ruiping was appointed as an independent non-executive director on 4 May 2007.
- (d) Subsequent to balance sheet date, on 28 September 2007, Mr. Lo Wai Ming resigned as an independent non-executive director.

During the Relevant Periods, no directors waived or agreed to waive any emolument; and 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.

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five individuals whose remuneration was the highest in the Group for the year is as follows:

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	Audited	Audited	Audited	Unaudited	Audited
Directors	2	2	2	2	2
Employees	3	3	3	3	3

The remuneration of the non-director highest paid employees, whose individual remuneration fell within the range of HK\$Nil to HK\$1,000,000, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Salaries, allowances, and benefits in kind	3,354	3,354	1,218	325	374
Retirement benefits contributions	—	—	—	—	—
	<u>3,354</u>	<u>3,354</u>	<u>1,218</u>	<u>325</u>	<u>374</u>

10. TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Relevant Periods.

United States federal income tax has not been provided as the Group had no assessable profits arising in the United States of America during the year. However, a former subsidiary was liable to the California State income tax of HK\$2,000 (2004 and 2005: HK\$7,000), being the minimum amount for the company in a tax loss position, for the year ended 31 December 2006. The former subsidiary was disposed of to an independent third party pursuant to the shareholders' approval on 18 May 2006.

No provision for the PRC income tax has been provided in the Financial Information as the Group did not derive any assessable profits in the PRC during the Relevant Periods.

A reconciliation of the income tax expense applicable to loss before taxation at the statutory income tax rates to income tax expenses at the Group's effective income tax rates is as follows:

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Loss before tax	(23,876)	(100,081)	(13,048)	(12,867)	(4,492)
Notional tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	(5,667)	(16,659)	(15,211)	(3,164)	(1,155)
Tax effect of income not taxable for tax purposes	(141)	(4)	(838)	(6,143)	(452)
Tax effect of expenses not deductible for tax purposes	279	3,860	273	–	534
Tax effect of unused tax losses no recognised	5,549	12,810	21,401	9,553	1,125
Utilisation of previously unrecognized tax losses	(13)	–	(5,623)	(198)	–
Actual tax expenses	<u>7</u>	<u>7</u>	<u>2</u>	<u>48</u>	<u>52</u>

No provision for deferred taxation has been made as the effect of all temporary differences at the balance sheet date to the Group is immaterial.

The Group has tax losses of approximately HK\$239,775,000 for the five months ended 31 May 2007 (five months ended 31 May 2006: HK\$396,366,000; year ended 31 December 2006: HK\$239,205,000; year ended 31 December 2005: HK\$395,610,000; year ended 31 December 2004: HK\$321,881,000) which are available for offsetting against future taxable profits of the companies in which the loss arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for a number of years. The tax losses arising from subsidiaries established in the PRC can be carried forward for five years immediately after the respective accounting year, all other tax losses do not expire under current tax legislations.

11. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 October 2007, a share transfer agreement (the "Share Transfer Agreement") was entered into among the Company, SYSCAN Manufacturing Limited ("SYSCAN Manufacturing") (a wholly-owned subsidiary of the Company) and Rise Billion Investment Limited (億騰投資有限公司) ("Rise Billion"), a third party independent of and not connected with the Group. Pursuant to the Share Transfer, SYSCAN Holdings shall transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion at a consideration of RMB126,500,000 (equivalent to approximately HK\$132,825,000). Upon completion of the Share Transfer, SYSCAN Manufacturing shall cease to be a subsidiary and shall become an associate of the Group. The Share Transfer constitutes a disposal of SYSCAN Manufacturing under the GEM Listing Rules. The Share Transfer was conditional, upon, among other things, the passing by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held. SYSCAN Manufacturing, through its subsidiary, is engaged principally in the development of industrial properties in the People's Republic of China (the "PRC").

With a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence on a going concern basis, as at 31 May 2007, the Directors have committed to a plan to dispose of SYSCAN Manufacturing and negotiations for the sale were in progress. Accordingly, SYSCAN Manufacturing was classified as a disposal group held for sale as at 31 May 2007.

The financial statements of SYSCAN Manufacturing for the Relevant Periods are presented below:

Consolidated income statements

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Revenue	112,422 ^(Note)	–	–	–	–
Cost of sales	(110,163)	–	–	–	–
Gross profit	2,259	–	–	–	–
Other revenue	995	2,045	19,113	20,231	1,377
Selling and distribution expenses	(966)	–	–	–	–
General and administrative expenses	(15,063)	(8,019)	(985)	(1,359)	(628)
Research and development expenses	(3,847)	–	–	–	–
Other operating expenses	–	(10,321)	–	–	–
Profit/(Loss) from discontinued operation	(16,622)	(16,295)	18,128	18,872	749
Finance costs	(2,734)	(1,009)	(2,299)	–	(326)
Loss before taxation	(19,356)	(17,304)	15,829	18,872	423
Income tax	–	–	–	(20)	(25)
Loss for the year/period from discontinued operation	<u>(19,356)</u>	<u>(17,304)</u>	<u>15,829</u>	<u>18,852</u>	<u>398</u>
Loss per share:					
Basic, from discontinued operation	<u>(18.9 cents)</u>	<u>(16.9 cents)</u>	<u>6.3 cents</u>	<u>18.4 cents</u>	<u>–</u>
Diluted, from discontinued operation	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note:

Such revenue was generated by SYSCAN Optoelectronics as a result of sale of CRT monitors.

Consolidated balance sheets

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
NON-CURRENT ASSETS				
Property, plant and equipment	1,300	1,120	930	876
Property under development	127,807	141,134	157,229	171,854
Intangible assets	2,530	–	–	–
	<u>131,637</u>	<u>142,254</u>	<u>158,159</u>	<u>172,730</u>
CURRENT ASSETS				
Inventories	4,398	–	–	–
Trade receivables	19,441	104	11	–
Prepayments, deposits and other receivables	1,764	909	1,384	2,590
Cash and cash equivalents	14,523	21	44	83
	<u>40,126</u>	<u>1,034</u>	<u>1,439</u>	<u>2,673</u>
CURRENT LIABILITIES				
Bank loans, secured	(123,663)	(130,038)	(144,020)	(151,600)
Amounts due to fellow subsidiaries	(97,097)	(73,919)	(71,310)	(87,445)
Trade payables	(17,988)	(15,275)	(13,636)	–
Accruals and other payables	(322)	(8,712)	(9,003)	(9,860)
	<u>(239,070)</u>	<u>(227,944)</u>	<u>(237,969)</u>	<u>(248,905)</u>
NET CURRENT LIABILITIES	<u>(198,944)</u>	<u>(226,910)</u>	<u>(236,530)</u>	<u>(246,232)</u>
NET LIABILITIES	<u>(67,307)</u>	<u>(84,656)</u>	<u>(70,278)</u>	<u>(73,502)</u>
EQUITY				
Issued capital	–	–	–	–
Reserves	<u>(67,307)</u>	<u>(84,656)</u>	<u>(70,278)</u>	<u>(73,502)</u>
	<u>(60,307)</u>	<u>(84,656)</u>	<u>(70,278)</u>	<u>(73,502)</u>

Consolidated statements of change in equity

	Share capital <i>HK\$'000</i> Audited	Capital reserves <i>HK\$'000</i> Audited	Exchange reserve <i>HK\$'000</i> Audited	Accumulated losses <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Balance at 1 January 2004	–	6,516	604	(55,221)	(48,101)
Exchange adjustments	–	–	150	–	150
Loss for the year	–	–	–	(19,356)	(19,356)
Balance at 31 December 2004	<u>–</u>	<u>6,516</u>	<u>754</u>	<u>(74,577)</u>	<u>(67,307)</u>
	Share capital <i>HK\$'000</i> Audited	Capital reserves <i>HK\$'000</i> Audited	Exchange reserve <i>HK\$'000</i> Audited	Accumulated losses <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Balance at 1 January 2005	–	6,516	754	(74,577)	(67,307)
Exchange adjustments	–	–	(45)	–	(45)
Loss for the year	–	–	–	(17,304)	(17,304)
Balance at 31 December 2005	<u>–</u>	<u>6,516</u>	<u>709</u>	<u>(91,881)</u>	<u>(84,656)</u>
	Share capital <i>HK\$'000</i> Audited	Capital reserves <i>HK\$'000</i> Audited	Exchange reserve <i>HK\$'000</i> Audited	Accumulated losses <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Balance at 1 January 2006	–	6,516	709	(91,881)	(84,656)
Exchange adjustments	–	–	(1,450)	–	(1,450)
Loss for the year	–	–	–	15,829	15,829
Balance at 31 December 2006	<u>–</u>	<u>6,516</u>	<u>(741)</u>	<u>(76,052)</u>	<u>(70,277)</u>
	Share capital <i>HK\$'000</i> Audited	Capital reserves <i>HK\$'000</i> Audited	Exchange reserve <i>HK\$'000</i> Audited	Accumulated losses <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Balance at 1 January 2007	–	6,516	(741)	(76,052)	(70,277)
Exchange adjustments	–	–	(3,623)	–	(3,623)
Loss for the period	–	–	–	398	398
Balance at 31 May 2007	<u>–</u>	<u>6,516</u>	<u>(4,364)</u>	<u>(75,654)</u>	<u>(73,502)</u>

Consolidated cashflow statements

		Year ended 31 December			Five months ended 31 May	
		2004	2005	2006	2006	2007
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(Loss) before tax		(19,356)	(17,304)	15,829	18,872	423
Adjustment for:						
Amortisation of intangible assets		(166)	–	–	–	–
Depreciation of property, plant and equipment		(2,503)	180	190		54
Finance costs		(2,734)	(1,009)	(2,299)	–	(326)
Gain on disposal of intangibles assets and machinery	34(d)	–	–	(15,904)	(15,904)	–
Operating (loss)/profit before working capital changes		(24,759)	(18,133)	(2,184)	2,968	151
Decrease/(increase) in inventories		29,366	4,398	–	–	–
Decrease/(increase) in trade receivables		6,865	19,337	93	(1,819)	11
Decrease/(increase) in prepayments, deposits and other receivables		(701)	855	(475)	(108)	(1,206)
Increase/(decrease) in trade payables		(28,551)	(2,713)	(1,639)	(342)	(13,636)
Increase/(decrease) in other payables		(557)	8,390	291	923	(8,857)
Cash generated from/ (used in) operations		(18,337)	12,134	(3,914)	1,622	(23,537)
Interest paid		(4,808)	(4,116)	–	–	–
Overseas taxes paid		–	–	–	(20)	(25)
Net cash inflow/(outflow) from operating activities		(23,145)	8,018	(3,914)	1,602	(23,562)

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property under development	(2,027)	(7,762)	(5,440)	(2,598)	–
(Decrease)/increase in amounts due to subsidiary	18,601	(23,178)	(2,609)	(5,735)	16,135
Net cash inflow/(outflow) from investing activities	16,574	(30,940)	(8,049)	(8,333)	16,135
CASH FLOWS FROM FINANCING ACTIVITIES					
Inception/(Repayment) of short term bank loans	12,073	6,375	13,982	8,636	7,580
Net cash inflow/(outflow) from financing activities	12,073	6,375	13,982	8,636	7,580
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,502	(16,547)	2,019	1,905	153
Cash and cash equivalents at beginning of year	9,443	14,523	21	21	44
Effect of foreign exchange rate changes, net	(422)	2,003	(1,996)	(1,573)	(114)
CASH AND CASH EQUIVALENTS AT END OF YEAR	14,523	21	44	353	83
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	14,523	21	44	353	83

Note:

- (i) For the year ended 31 December 2006, the Company entered into an agreement with a former subsidiary for the disposal of certain plant and machinery and patents by the Company to settle the amount owed by the Group to the former subsidiary. The disposal resulted in a gain of HK\$15,904,000. Further details are set out in note 34(d).

The calculation of basic loss per share is as follows:

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Net loss attributable to equity holders of the Company from the discontinued operation	(19,356)	(17,304)	15,829	18,852	398
	Number of shares				
	'000	'000	'000	'000	'000
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation	102,364	102,364	251,283	102,364	409,457

No diluted loss per share for the years/periods is presented as the outstanding employee share options had an anti-dilutive effect on the basic loss per share.

The major classes of assets and liabilities of SYSCAN Manufacturing classified as held for sale as at the balance sheet dates are as follows:

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
ASSETS				
Property, plant and equipment	–	–	–	876
Property under development (<i>note 17</i>)	–	–	–	171,854
Intangible assets	–	–	–	–
Inventories	–	–	–	–
Trade receivables	–	–	–	–
Prepayments, deposits and other receivables	–	–	–	2,590
Cash and cash equivalents	–	–	–	83
Assets classified as held for sale	–	–	–	175,403
LIABILITIES				
Bank loans, secured	–	–	–	(151,600)
Trade payables	–	–	–	–
Accruals and other payables	–	–	–	(9,860)
Liabilities directly associated with the assets classified as held for sale	–	–	–	(161,460)
INTERCOMPANY BALANCES WITH OTHER MEMBERS OF THE GROUP ELIMINATED ON CONSOLIDATION				
Due to a fellow subsidiary	–	–	–	(87,445)
Net liabilities directly associated with the disposal group	–	–	–	(73,502)

Included in the bank loans on demand, there were bank loan of HK\$119,000,000 (31 December 2006: HK\$120,000,000, 31 December 2005: HK\$115,385,000 and 31 December 2004: HK\$Nil) and outstanding interest of HK\$37,800,000 (31 December 2006: HK\$12,020,000, 31 December 2005: HK\$1,192,000 and 31 December 2004: HK\$Nil).

At 31 May 2007, the bank loan was secured by the leasehold land included in property under development of HK\$56,100,000 (31 December 2006: HK\$52,991,000, 31 December 2005: HK\$50,952,000 and 31 December 2004: HK\$49,992,000) (see notes 16 and 26).

The leasehold land has been frozen by the court in the PRC following the legal action taken by the bank (notes 26 and 37).

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the five months ended 31 May 2007 includes a loss of HK\$8,949,000 (five months ended 31 May 2006: HK\$3,778,000, year ended 31 December 2006: HK\$46,601,000, year ended 31 December 2005: HK\$5,802,000, year ended 31 December 2004: HK\$5,176,000) which has been dealt with in the Financial Information of the Company.

13. LOSS PER SHARE

The calculation of basic loss per share is as follows:

	Year ended 31 December			Five months ended	
	2004	2005	2006	31 May 2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Net loss attributable to equity holders of the Company	(23,040)	(99,435)	(11,600)	(12,738)	(4,519)
	Number of shares				
	'000	'000	'000	'000	'000
Weighted average number of ordinary shares in issue during the year/period	102,364	102,364	251,283	102,364	409,457

No diluted loss per share for the years/periods is presented as the outstanding employee share options had an anti-dilutive effect on the basic loss per share.

14. INTANGIBLE ASSETS

Group

31 December 2004

	Patents <i>HK\$'000</i>	Intellectual property <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2004	2,745	1,698	4,443
Disposal of a subsidiary	–	(283)	(283)
At 31 December 2004	2,745	1,415	4,160
Accumulated amortization:			
At 1 January 2004	490	247	737
Amortization for the year	368	126	494
Disposal of a subsidiary	–	(38)	(38)
At 31 December 2004	858	335	1,193
Net book value:			
At 31 December 2004	1,887	1,080	2,967

31 December 2005

	Patents <i>HK\$'000</i>	Intellectual property <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2005	2,745	1,415	4,160
Exchange adjustments	53	27	80
At 31 December 2005	2,798	1,442	4,240
Accumulated amortization:			
At 1 January 2005	858	335	1,193
Exchange adjustments	17	9	26
Amortization for the year	343	127	470
At 31 December 2005	1,218	471	1,689
Net book value:			
At 31 December 2005	1,580	971	2,551

Group

31 December 2006

	Patents HK\$'000	Intellectual property HK\$'000	Total HK\$'000
Cost:			
At 1 January 2006	2,798	1,442	4,240
Exchange adjustments	112	58	170
Disposals	(2,910)	–	(2,910)
At 31 December 2006	–	1,500	1,500
Accumulated amortization:			
At 1 January 2006	1,218	471	1,689
Exchange adjustments	57	21	78
Amortization for the year	382	131	513
Written back on disposal	(1,657)	–	(1,657)
At 31 December 2006	–	623	623
Net book value:			
At 31 December 2006	–	877	877

31 May 2007

	Patents HK\$'000	Intellectual property HK\$'000	Total HK\$'000
Cost:			
At 1 January 2007	–	1,500	1,500
Exchange adjustments	–	48	48
At 31 May 2007	–	1,548	1,548
Accumulated amortization:			
At 1 January 2007	–	623	623
Exchange adjustments	–	20	20
Amortization for the year	–	51	51
At 31 May 2007	–	694	694
Net book value:			
At 31 May 2007	–	854	854

- (a) At 31 May 2007, intangible assets with carrying value of HK\$854,000 (31 December 2006: HK\$877,000, 31 December 2005: HK\$971,000, 31 December 2004: Nil) has been pledged to secure the Group's bank loans (note 26).

15. GOODWILL

Group

31 December 2004

	Positive goodwill <i>HK\$'000</i>	Intellectual Negative Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2004	414	(602)	(188)
Additions	4,073	–	4,073
At 31 December 2004	4,487	(602)	3,885
Accumulated amortization and impairment:			
At 1 January 2004	414	(8)	406
Recognised in income statement	–	(30)	(30)
Amortization	204	–	204
At 31 December 2004	618	(38)	580
Net book value:			
At 31 December 2004	3,869	(564)	3,305

31 December 2005

	Positive goodwill <i>HK\$'000</i>	Negative Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2005	4,487	(602)	3,885
Effect of adoption of HKFRS 3 on negative goodwill (<i>note</i>)	–	602	602
At 1 January 2005 (restated) and at 31 December 2005	4,487	–	4,487
Accumulated amortization and impairment:			
At 1 January 2005	618	(38)	580
Effect of adoption of HKFRS 3 on negative goodwill (<i>note</i>)	–	38	38
At 1 January 2005 (restated)	618	–	618
Impairment loss	3,869	–	3,869
At 1 January 2005 (restated) and at 31 December 2005	4,487	–	4,487
Net book value:			
At 31 December 2005	–	–	–

31 December 2006 and 31 May 2007

	Positive goodwill HK\$'000	Negative Goodwill HK\$'000	Total HK\$'000
Cost:			
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 May 2007	4,487	–	4,487
Accumulated amortization and impairment:			
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 May 2007	4,487	–	4,487
Net book value:			
At 31 December 2006 and 31 May 2007	–	–	–

Note: In accordance with the transitional provisions of HKFRS 3, the Group has eliminated the carrying amounts of accumulated amortization as at 1 January 2005 against the cost of goodwill as at the same date and to de-recognise the carrying amounts of negative goodwill existing prior to 1 January 2005 against accumulated losses at 1 January 2005.

16. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2004

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture fixtures and office equipment HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:						
At beginning of year	24,961	2,951	11,872	38,794	4,438	83,016
Additions	–	–	875	1,310	806	2,991
Disposals	–	–	(3,011)	(1,661)	(267)	(4,939)
Disposals of subsidiaries	–	–	(1,365)	–	(588)	(1,953)
At 31 December 2004	24,961	2,951	8,371	38,443	4,389	79,115
Accumulated depreciation and impairment:						
At beginning of year	2,412	2,951	5,144	24,086	1,842	36,435
Provided during the year	1,299	–	898	3,347	701	6,245
Disposals	–	–	(2,708)	(1,642)	(178)	(4,528)
Disposals of subsidiaries	–	–	(397)	–	(4)	(401)
At 31 December 2004	3,711	2,951	2,937	25,791	2,361	37,751
Net book value:						
At 31 December 2004	21,250	–	5,434	12,652	2,028	41,364

Group

31 December 2005

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture fixtures and office equipment HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:						
At beginning of year	24,961	2,951	8,371	38,443	4,389	79,115
Exchange adjustments	526	–	140	516	55	1,237
Additions	–	–	353	1,409	–	1,762
Disposals	(17,355)	–	(702)	(364)	(1,951)	(20,372)
Addition of a subsidiary	–	–	1,078	–	490	1,568
Disposals of subsidiaries	–	–	(76)	–	–	(76)
At 31 December 2005	8,132	2,951	9,164	40,004	2,983	63,234
Accumulated depreciation:						
At beginning of year	3,711	2,951	2,937	25,791	2,361	37,751
Exchange differences	53	–	44	194	15	306
Provided during the year	875	–	1,075	4,043	390	6,383
Disposals	(2,824)	–	(329)	–	(1,179)	(4,332)
Disposals of subsidiaries	–	–	(28)	–	–	(28)
At 31 December 2005	1,815	2,951	3,699	30,028	1,587	40,080
Net book value:						
At 31 December 2005	6,317	–	5,465	9,976	1,396	23,154

31 December 2006

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture fixtures and office equipment HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:						
At beginning of year	8,132	2,951	9,164	40,004	2,983	63,234
Exchange adjustments	421	–	271	1,163	60	1,915
Additions	–	–	337	197	363	897
Disposals	–	–	(74)	(10,002)	(307)	(10,383)
Disposals of subsidiaries	–	–	(440)	(1,077)	–	(1,517)
At 31 December 2006	8,553	2,951	9,258	30,285	3,099	54,146
Accumulated depreciation:						
At beginning of year	1,815	2,951	3,699	30,028	1,587	40,080
Exchange differences	83	–	121	451	27	682
Provided during the year	510	–	848	4,256	263	5,877
Disposals	–	–	(33)	(5,954)	(167)	(6,154)
Disposals of subsidiaries	–	–	(166)	(246)	–	(412)
At 31 December 2006	2,408	2,951	4,469	28,535	1,710	40,073
Net book value:						
At 31 December 2006	6,145	–	4,789	1,750	1,389	14,073

Group

31 May 2007

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture fixtures and office equipment HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:						
At beginning of period	8,553	2,951	9,258	30,285	3,099	54,146
Exchange adjustments	396	-	428	1,403	145	2,372
Additions	-	-	27	138	-	165
Transfer to assets of a disposal group classified as held for sale	-	-	(2,252)	(7)	-	(2,259)
Disposals	-	-	(106)	(32)	-	(138)
At 31 May 2007	8,949	2,951	7,355	31,787	3,244	54,286
Accumulated depreciation:						
At beginning of period	2,408	2,951	4,469	28,535	1,710	40,073
Exchange differences	65	-	151	894	145	1,255
Provided during the period	223	-	377	1,278	99	1,977
Transfer to assets of a disposal group classified as held for sale	-	-	(1,379)	(4)	-	(1,383)
Disposals	-	-	(51)	(2)	-	(53)
At 31 May 2007	2,696	2,951	3,567	30,701	1,954	41,869
Net book value:						
At 31 May 2007	6,253	-	3,788	1,086	1,290	12,417

Notes:

- (a) As the land and building held for own use cannot be allocated reliably between the land and building elements and it is cleared that only the land element is operating lease, the entire lease is classified as a finance lease and accounted for under HKAS 16 in accordance with HKAS 17.
- (b) The land and building are located in Shenzhen, the PRC, and are used as research and development centre of the Group and are held under medium lease term. All land and building and plant and machinery are pledged as collateral for the Group's bank loans (note 26).
- (c) The machinery disposed of during the year ended 31 December 2006 represented the settlement of an amount owed by the Group (see note 5(iii)).
- (d) The machinery with net book value of HK\$9,976,000 as at 31 December 2005 and motor vehicle with net book value of HK\$318,000 as at 31 December 2004 were pledged as collateral for the Group's banking facilities.

17. PROPERTY UNDER DEVELOPMENT

Group

	Land HK\$'000	Construction expenditure HK\$'000	Total HK\$'000
Cost:			
At 1 January 2004	49,992	73,714	123,706
Additions	–	4,101	4,101
At 31 December 2004	49,992	77,815	127,807
At 1 January 2005	49,992	77,815	127,807
Exchange adjustments	960	1,498	2,458
Additions	–	10,869	10,869
At 31 December 2005	50,952	90,182	141,134
At 1 January 2006	50,952	90,182	141,134
Exchange adjustments	2,039	3,606	5,645
Additions	–	10,450	10,450
At 31 December 2006	52,991	104,238	157,229
At 1 January 2007	52,991	104,238	157,229
Exchange adjustments	3,109	6,316	9,425
Additions	–	5,200	5,200
Reclassified to assets held for sale (<i>note 11</i>)	(56,100)	(115,754)	(171,854)
At 31 May 2007	–	–	–

The leasehold land is located in Shenzhen, the PRC, for a period of 50 years up to July 2051. At the balance sheet dates, the leasehold land was pledged for the bank loans granted to the Group (note 26). As detailed in note 11, the property under development was reclassified as assets held under sale.

18. INTEREST IN SUBSIDIARIES

Company

	2004 HK\$'000	31 December 2005 RMB'000	2006 RMB'000	31 May 2007 RMB'000
Unlisted shares, at cost	74,698	74,698	74,698	74,698
Due from subsidiaries	95,623	92,986	100,878	78,252
Due to subsidiaries	(2,764)	(3,544)	–	–
	167,557	164,140	175,576	152,950
Less: impairment losses	(113,500)	(113,500)	(175,576)	(152,950)
	54,057	50,640	–	–

The amounts due from/(to) subsidiaries are unsecured and interest-free. The Company has agreed not to demand for repayment of the amounts due from the subsidiaries until the subsidiaries are financially capable to do so.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Details of the principal subsidiaries as at 31 May 2007 are:

Name	Place of Incorporation/ operations	Particulars of Issued and paid up capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
SYSCAN Holdings Limited	British Virgin Islands/ Hong Kong	US\$3	100%	–	Investment holding
SYSCAN Digital Systems Co. Ltd	British Virgin Islands/ Hong Kong	US\$24,500	–	100%	Investment holding
SYSCAN InterVision Limited	Hong Kong/ PRC	HK\$15,000,000	–	100%	Trading of optical image capturing devices and modules
SYSCAN Lab., Limited	Hong Kong/ PRC	HK\$10,000	–	100%	Design and development of image sensor modules
SYSCAN Manufacturing Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Shenzhen SYSCAN Technology Co., Ltd.	PRC	US\$10,000,000	–	100%	Design, development, manufacture and sales of optoelectronic products
SYSCAN Optoelectronics Technology (Shenzhen) Co., Ltd.	PRC	US\$6,000,000	–	100%	Property holding
SYSCAN Digital Systems Co., Ltd.	PRC	RMB15,000,000	–	100%	Design, development, manufacture and sale of optoelectronic products

19. INTERESTS IN ASSOCIATES

Group

	2004	31 December 2005	2006	31 May 2007
	RMB'000	RMB'000	RMB'000	RMB'000
	Audited	Audited	Audited	Audited
Share of net assets	35,967	32,403	33,134	35,216
Less: Impairment losses	(1,590)	—	—	—
	<u>34,377</u>	<u>32,403</u>	<u>33,134</u>	<u>35,216</u>
Interests in associates				
Due from an associate	763	19,131	20,284	—
Less: Impairment losses	(763)	(1,619)	(20,284)	—
	<u>—</u>	<u>17,512</u>	<u>—</u>	<u>5</u>
Due to an associate	<u>(17,136)</u>	<u>(39,040)</u>	<u>(38,579)</u>	<u>(39,601)</u>

Particulars of the associates of the Group are as follows:

Name	Place of incorporation/ place of operations	Paid up capital	Percentage of equity interest attributable to the Group	Principal activities
浙江矽感科技有限公司	PRC/PRC	RMB50,000,000	40%	Development of computer products
深圳市旭感和誠信息 技術有限公司	PRC/PRC	RMB45,000,000	40%	Development of computer products

Notes:

- (i) 浙江矽感科技有限公司 is a limited company established in the PRC to be operated for 20 years up to 2024.
- (ii) 深圳市旭感和誠信息技術有限公司 is a limited company established in the PRC to be operated for 14 years up to 2018.

Summary of financial information of the associates is set out as follows:

	2004	31 December 2005	2006	31 May 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	52,090	80,224	73,833	92,674
Non-current assets	19,818	24,883	22,147	11,911
Current liabilities	(25,744)	(24,091)	(13,145)	(31,067)
Non-current liabilities	—	—	—	—
	<u>46,164</u>	<u>81,016</u>	<u>82,835</u>	<u>73,518</u>
Net assets				

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	9,913	6,158	19,950	4,959	3,452
Other revenue	7	117	239	106	185
Total revenue	9,920	6,275	20,189	5,065	3,637
Total expenses	(11,749)	(4,775)	(21,593)	(6,296)	(5,678)
Tax	–	–	–	–	–
Profit after tax	(1,829)	1,500	(1,404)	(1,231)	(2,041)

The amounts with the associates are unsecured, interest-free and are repayable on demand.

20. AVAILABLE-FOR-SALE INVESTMENTS

Group

	31 December		31 May	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
Cost:				
CMOS Sensor, Inc. (i)	–	7,782	–	–
GFG Asia Alliance Holdings Co., Ltd. (ii)	–	1,560	1,560	1,560
	–	9,342	1,560	1,560
Less: Impairment losses	–	–	(1,560)	(1,560)
	–	9,342	–	–

Notes:

- (i) During the year ended 31 December 2006, the equity interest of 16.1% in CMOS Sensor, Inc., a company incorporated in California, the United States of America was disposed of together with the subsidiaries as disclosed in note 34(b).
- (ii) At 31 December 2006, full impairment was made to the investment of US\$200,000 (equivalent to HK\$1,560,000) in the preference stock of GFG Asia Alliance Holdings Co., Ltd., a company incorporated in the British Virgin Islands.

21. INVESTMENT SECURITIES

Group

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
CMOS Sensor, Inc.	7,782	–	–	–
GFG Asia Alliance Holdings Co., Ltd.	1,560	–	–	–
	<u>9,342</u>	<u>–</u>	<u>–</u>	<u>–</u>

Details of the investment securities are set out in note 20 above.

22. INVENTORIES

Group

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
Raw materials	17,395	21,767	17,823	16,589
Work-in-progress	4,208	2,600	5,614	4,079
Finished goods	14,491	13,467	12,553	12,566
	<u>36,094</u>	<u>37,834</u>	<u>35,990</u>	<u>33,234</u>
Less: Impairment	(2,739)	(31,974)	(32,893)	(31,872)
	<u>33,355</u>	<u>5,860</u>	<u>3,097</u>	<u>1,362</u>

23. TRADE RECEIVABLES

The Group normally grants to its customers credit period ranging from one to three months. Aging analysis of the Group's trade receivables is as follows:

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
0 to 1 month	8,585	8,444	12,193	7,162
1 to 2 months	123	887	–	–
2 to 3 months	9,253	40	–	–
3 to 6 months	–	111	–	–
6 to 12 months	9,975	884	–	–
Over 12 months	1,436	9,266	9,617	–
	<u>29,372</u>	<u>19,632</u>	<u>21,810</u>	<u>7,162</u>
Less: Impairment	(6,205)	(11,346)	(9,892)	–
	<u>23,167</u>	<u>8,286</u>	<u>11,918</u>	<u>7,162</u>

The carrying amounts of trade receivables approximate their fair values and are mainly denominated in United States Dollars.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**Group and Company**

Included in the prepayments, deposits and other receivables as at 31 May 2007 and 31 December 2006 was receivable of US\$4,500,000 (equivalent HK\$35,100,000) due from the purchaser in connection with the disposal of certain subsidiaries of which the disposal was constituted a very substantial disposal of the Company as outlined in the circular dated 25 April 2006.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

	2004	31 December 2005	2006	31 May 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	4,557	2,283	4,300	4,477

26. BANK LOANS, SECURED

	2004	31 December 2005	2006	31 May 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
Bank loans				
On demand (<i>note a</i>)	–	116,577	131,020	156,800
Within 1 year	140,520	21,422	12,064	19,397
After 1 year but within 5 years	341	237	258	–
After 5 years	275	209	140	–
	141,136	138,445	144,482	176,197
Less: Reclassified to liabilities directly associated with assets classified as held for sale	–	–	–	(156,800)
Current portion of bank loans	(140,520)	(137,999)	(144,084)	(19,397)
Non-current portion of bank loans	616	446	398	–

- (a) Included in the bank loans on demand, there were bank loan of HK\$119,000,000 (31 December 2006: HK\$120,000,000, 31 December 2005: HK\$115,385,000 and 31 December 2004: HK\$Nil) and outstanding interest of HK\$37,800,000 (31 December 2006: HK\$12,020,000, 31 December 2005: HK\$1,192,000 and 31 December 2004: HK\$Nil).

At 31 May 2007, the bank loan was secured by the leasehold land included in property under development of HK\$56,100,000 (31 December 2006: HK\$52,991,000, 31 December 2005: HK\$50,952,000 and 31 December 2004: HK\$49,992,000) (see notes 17).

The bank loan and the accrued interest have been overdue as at 31 May 2007 and the leasehold land has been frozen by the court in the PRC following the legal action taken by the bank. On 17 July 2007, the Group entered into an agreement with the bank for the rescheduling and extension of the above-mentioned overdue loan with outstanding interest. Further details are set out in note 37.

- (b) Other than the bank loan on demand as mentioned above, the remaining bank loans were secured by:
- (i) the Group's leasehold land and buildings included in the property, plant and equipment with the net book value of HK\$6,253,000 (31 December 2006: 6,145,000, 31 December 2005: HK\$6,317,000 and 31 December 2004: HK\$21,250,000) (note 16);
 - (ii) the Group's intangible assets with net book value of HK\$854,000 (31 December 2006: HK\$877,000, 31 December 2005: HK\$971,000 and 31 December 2004: Nil) (note 14)
 - (iii) the Group's plant and machinery included in property, plant and equipment with the net book value of HK\$1,086,000 (31 December 2006: HK\$1,750,000, 31 December 2005: HK\$9,976,000 and 31 December 2004: HK\$318,000) (note 16)
 - (iv) a personal guarantee given by Mr. Cheung Wai, the director of the Company.
- (c) All of the Group's bank loans were denominated in RMB. At 31 May 2007, the bank loans bore interest at a rate of 5.02% to 6.48% per annum (31 December 2006: 7% to 9% per annum, 31 December 2005: 6% to 8% per annum and 31 December 2004: 5.58% per annum).

27. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
0 to 1 month	18,652	3,653	3,193	1,992
1 to 2 months	1,985	1,531	2,151	1,842
2 to 3 months	1,080	1,102	2,333	1,206
3 to 12 months	4,855	2,205	2,696	13,934
Over 12 months	592	17,216	14,467	876
	<u>27,164</u>	<u>25,707</u>	<u>24,840</u>	<u>19,850</u>

The carrying amounts of trade payables approximate their fair values and are mainly denominated in RMB.

28. ACCRUALS AND OTHER PAYABLES

Group

Included in the accruals and other payables as at 31 December 2006 was an amount of HK\$5,000,000 (31 December 2004, 31 December 2005 and 31 May 2007: Nil) being an advance from an independent third party who being a potential purchaser to acquire certain assets of the Group. The amount is unsecured, interest-free and is repayable on demand.

29. DUE TO A DIRECTOR

Group and Company

The amount due to a director is unsecured, interest free and is repayable on demand.

30. FINANCIAL GUARANTEE CONTRACT

Company

The carrying amount of the financial guarantee contract recognised in the Company's balance sheet in accordance with HKAS 39 and HKFRS 4 Amendment was HK\$141,569,000 (31 December 2006: HK\$132,000,000, 31 December 2005: HK\$116,577,000 and 31 December 2004: HK\$115,385,000).

31. SHARE CAPITAL

	No. of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each:		
At 31 December 2004, 2005 and 2006 and 31 May 2007	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each:		
At 31 December 2004 and 2005	102,364	1,024
Shares issued arising from open offer in 2006	307,093	3,071
At 31 December 2006 and 31 May 2007	409,457	4,095

On 15 February 2006, the Company entered into an underwriting agreement with the Company's Chairman and Chief Executive Officer, Mr. Cheung Wai, as the Underwriter, who then already owned approximately 10.78% of the issued share capital of the Company, in respect of a proposed open offer to raise a funding of not less than HK\$9,200,000 and not more than HK\$10,300,000, before expenses of approximately HK\$900,000, by way of an open offer of not less than 307,092,981 offer shares and not more than 341,667,881 offer shares at the Transfer price of HK\$0.03 per open offer share on the basis of 3 offer shares for every share held by the qualifying shareholders. The Underwriter has irrevocably undertaken to the Company to take up the excluded offer shares as his entitlement under the open offer. The above transaction was detailed in the Company's announcement dated 28 February 2006.

On 7 July 2006, 28 valid applications for assured allotment were received for an aggregate of 120,090,572 offer shares. As the open offer was under-subscribed, Mr. Cheung Wai as the Underwriter fulfilled his obligation to take up a total of 187,002,409 offer shares. As a result, 307,092,981 ordinary shares were allotted for a consideration of HK\$9,213,000 of which HK\$3,071,000 was credited to share capital and the remaining balance of HK\$6,141,000 was credited to the share premium account.

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 26 of the financial information.

Company

	Contributed surplus <i>HK\$'000</i> Audited	Share premium <i>HK\$'000</i> Audited	Accumulated losses <i>HK\$'000</i> Audited	Total <i>HK\$'000</i> Audited
Balance at 1 January 2004	149,228	–	(91,337)	57,891
Elimination of accumulated losses	(79,107)	–	79,107	–
Loss for the year	–	–	(5,176)	(5,176)
Balance at 31 December 2004	<u>70,121</u>	<u>–</u>	<u>(132,791)</u>	<u>62,670</u>
Balance at 1 January 2005	70,121	–	(132,791)	62,670
Loss for the year	–	–	(5,802)	(5,802)
Balance at 31 December 2005	<u>70,121</u>	<u>–</u>	<u>(138,593)</u>	<u>(68,472)</u>
At 1 January 2006	70,121	–	(138,593)	(68,472)
Loss for the year	–	–	(46,601)	(46,601)
Shares issued (<i>note 31</i>)	–	6,141	–	6,141
Balance at 31 December 2006	<u>70,121</u>	<u>6,141</u>	<u>(185,194)</u>	<u>108,932</u>
Balance at 1 January 2007	70,121	6,141	(185,194)	108,932
Loss for the period	–	–	(8,949)	(8,949)
Balance at 31 May 2007	<u>70,121</u>	<u>6,141</u>	<u>194,143</u>	<u>(117,881)</u>

33. EMPLOYEE SHARE OPTIONS

The Company has three employee share option schemes, namely Share Option A, Share Option B and Share Option C.

On 2 March 2000, the Company adopted Share Option Scheme A and Scheme b under which share options to subscribe for shares of the Company may be granted under the terms and conditions stipulated in Scheme A and Scheme B.

Share Option Scheme A ceased to be effective (save for the options already granted but unexercised) upon the initial listing of the Company on 14 April 2000. At the annual general meeting of the Company held on 26 April 2002, shareholders of the Company approved the adoption of a new Share Option Scheme C and the termination of Share Option B (save for the options already granted but unexercised).

Under Share Option Scheme A, the Company may grant options to employees of the Group (including directors of the Company) and consultants of the Group to subscribe for a maximum of 52,784,000 ordinary shares of HK\$0.01 each, at exercise prices ranging from HK\$0.02422 to HK\$0.04844 per ordinary share.

Under Share Option Scheme B, the Company may grant options to employees of the Group (including directors of the Company) to subscribe for ordinary shares of HK\$0.01 each, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The Transfer price will be determined by the Company's Board of Directors, and will not be less than the higher of (i) the nominal value of the ordinary shares, (ii) the average of the closing price of the ordinary shares quoted on the GEM on the five business days immediately preceding the date of grant, and (iii) the closing price of ordinary shares quoted on the GEM on the date of grant, which must be a business day.

Under Share Option Scheme C, the Company may grant options to employees of the Group (including directors of the Company) or at the absolute discretion of the directors to invite any person who has contributed to the Group's business to take up options to subscribe for ordinary shares of HK\$0.01 each, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The Transfer price will be determined by the Company's Board of Directors, and will not be less than the higher of (i) the nominal value of the ordinary shares, (ii) the average of the closing price of the ordinary shares quoted on the GEM on the five business days immediately preceding the date of grant, and (iii) the closing price of ordinary shares quoted on the GEM on the date of grant, which must be a business day.

The following table disclosed details of the Company's share options under Share Option Scheme A, Share Option Scheme B and Share Option Scheme C and the movements for the Relevant Periods:

For the year ended 31 December 2004

Date of grant	Exercise period	Subscription price per share	At 1 January 2004	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2004
<i>I. Share Option Scheme A</i>							
<i>Other employees and optionees</i>							
2 March 2000	2 March 2000 to 1 March 2010	HK\$0.4844	3,268,000	-	(1,120,000)	-	2,148,000
			<u>3,268,000</u>	<u>-</u>	<u>(1,120,000)</u>	<u>-</u>	<u>2,148,000</u>

Date of grant	Exercise period	Subscription price per share	At 1 January 2004	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2004
<i>II. Share Option Scheme B</i>							
<i>Directors and Chief Executives</i>							
19 June 2000	19 June 2001 to 18 June 2010	HK\$3.30	1,000,000	-	-	-	1,000,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	1,800,000	-	-	-	1,800,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$1.016	50,000	-	-	-	50,000
			<u>2,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,850,000</u>
<i>Other employees and optionees</i>							
12 July 2000	12 July 2001 to 11 July 2010	HK\$2.46	405,000	-	(320,000)	-	85,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$1.016	620,000	-	(500,000)	-	120,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	1,940,000	-	(1,000,000)	-	940,000
13 August 2001	13 August 2002 to 12 August 2011	HK\$2.75	570,000	-	-	-	570,000
			<u>3,535,000</u>	<u>-</u>	<u>(1,820,000)</u>	<u>-</u>	<u>1,715,000</u>
			<u>6,385,000</u>	<u>-</u>	<u>(1,820,000)</u>	<u>-</u>	<u>4,565,000</u>
<i>III. Share Option Scheme C</i>							
<i>Directors and chief executives</i>							
14 May 2002	14 May 2003 to 13 May 2012	HK\$1.412	50,000	-	-	-	50,000
14 August 2002	14 August 2003 to 13 August 2012	HK\$1.00	300,000	-	-	-	300,000
12 November 2002	12 November 2003 to 11 November 2012	HK\$1.00	200,000	-	-	-	200,000
26 March 2003	26 March 2004 to 25 March 2013	HK\$1.00	700,000	-	-	-	700,000
			<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>

APPENDIX I

ACCOUNTANTS' REPORT

Date of grant	Exercise period	Subscription price per share	At 1 January 2004	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2004
<i>Other employees and optionees</i>							
14 May 2002	14 May 2003 to 13 May 2012	HK\$1.412	2,941,000	–	(1,331,000)	–	1,610,000
14 August 2002	14 August 2003 to 13 August 2012	HK\$1.00	1,535,000	–	–	–	1,535,000
12 November 2002	12 November 2003 to 11 November 2012	HK\$1.00	150,000	–	–	–	150,000
26 March 2003	26 March 2004 to 25 March 2013	HK\$1.00	1,387,000	–	(240,000)	–	1,147,000
13 August 2003	13 August 2004 to 12 August 2013	HK\$1.00	280,000	–	–	–	280,000
			<u>6,293,000</u>	<u>–</u>	<u>(1,571,000)</u>	<u>–</u>	<u>4,722,000</u>
			<u>7,543,000</u>	<u>–</u>	<u>(1,571,000)</u>	<u>–</u>	<u>5,972,000</u>
Total share options			<u>17,196,000</u>	<u>–</u>	<u>(4,511,000)</u>	<u>–</u>	<u>12,685,000</u>

For the year ended 31 December 2005

Date of grant	Exercise period	Subscription price per share	At 1 January 2005	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2005
<i>I. Share Option Scheme A</i>							
<i>Other employees and optionees</i>							
2 March 2000	2 March 2000 to 1 March 2010	HK\$0.4844	2,148,000	–	–	–	2,148,000
			<u>2,148,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,148,000</u>
<i>II. Share Option Scheme B</i>							
<i>Directors and Chief Executives</i>							
19 June 2000	19 June 2001 to 18 June 2010	HK\$3.30	1,000,000	–	–	–	1,000,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	1,800,000	–	–	–	1,800,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$1.016	50,000	–	–	–	50,000
			<u>2,850,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,850,000</u>

Date of grant	Exercise period	Subscription price per share	At 1 January 2005	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2005
<i>Other employees and optionees</i>							
12 July 2000	12 July 2001 to 11 July 2010	HK\$2.46	85,000	–	–	–	85,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$1.016	120,000	–	(50,000)	–	70,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$2.06	940,000	–	(10,000)	–	930,000
13 August 2001	13 August 2002 to 12 August 2011	HK\$2.75	570,000	–	(100,000)	–	470,000
			<u>1,715,000</u>	<u>–</u>	<u>(160,000)</u>	<u>–</u>	<u>1,555,000</u>
			<u>4,565,000</u>	<u>–</u>	<u>(160,000)</u>	<u>–</u>	<u>4,405,000</u>
III. Share Option Scheme C							
<i>Directors and chief executives</i>							
14 May 2002	14 May 2003 to 13 May 2012	HK\$1.412	50,000	–	–	–	50,000
14 August 2002	14 August 2003 to 13 August 2012	HK\$1.00	300,000	–	(300,000)	–	–
12 November 2002	12 November 2003 to 11 November 2012	HK\$1.00	200,000	–	–	–	200,000
26 March 2003	26 March 2004 to 25 March 2013	HK\$1.00	700,000	–	(700,000)	–	–
			<u>1,250,000</u>	<u>–</u>	<u>(1,000,000)</u>	<u>–</u>	<u>250,000</u>
<i>Other employees and optionees</i>							
14 May 2002	14 May 2003 to 13 May 2012	HK\$1.412	1,610,000	–	–	–	1,610,000
14 August 2002	14 August 2003 to 13 August 2012	HK\$1.00	1,535,000	–	–	–	1,535,000
12 November 2002	12 November 2003 to 11 November 2012	HK\$1.00	150,000	–	–	–	150,000
26 March 2003	26 March 2004 to 25 March 2013	HK\$1.00	1,147,000	–	–	–	1,147,000
13 August 2003	13 August 2004 to 12 August 2013	HK\$1.00	280,000	–	–	–	280,000
			<u>4,722,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,722,000</u>
			<u>5,972,000</u>	<u>–</u>	<u>(1,000,000)</u>	<u>–</u>	<u>4,972,000</u>
Total share options			<u>12,685,000</u>	<u>–</u>	<u>(1,160,000)</u>	<u>–</u>	<u>11,525,000</u>

APPENDIX I

ACCOUNTANTS' REPORT

For the year ended 31 December 2006

Date of Grant	Exercise period	Subscription price per share (a)	At 1 January 2006	Granted before 7 July 2006	Lapsed before 7 July 2006	Exercised before 7 July 2006	Adjusted on 7 July 2006	Granted after 7 July 2006	Lapsed after 7 July 2006	Exercised after 7 July 2006	At 31 December 2006
<i>I. Share Option Scheme A</i>											
<i>Other employees and optionees</i>											
2 March 2000	2 March 2000 to 1 March 2010	HK\$0.2422	2,148,000	-	-	-	2,148,000	-	-	-	4,296,000
			<u>2,148,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,148,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,296,000</u>
<i>II. Share Option Scheme B</i>											
<i>Directors</i>											
19 June 2000	19 June 2001 to 18 June 2010	HK\$1.65	1,000,000	-	-	-	1,000,000	-	-	-	2,000,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$0.508	50,000	-	-	-	50,000	-	(100,000)	-	-
17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	1,800,000	-	-	-	1,800,000	-	-	-	3,600,000
			2,850,000	-	-	-	2,850,000	-	(100,000)	-	5,600,000
12 July 2000	12 July 2001 to 11 July 2010	HK\$1.23	85,000	-	-	-	85,000	-	-	-	170,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$0.50	70,000	-	-	-	70,000	-	-	-	140,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	930,000	-	-	-	930,000	-	-	-	1,860,000
13 August 2001	13 August 2002 to 12 August 2011	HK\$1.38	470,000	-	-	-	470,000	-	-	-	940,000
			<u>1,555,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,110,000</u>
			<u>4,405,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,405,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>8,710,000</u>
<i>III. Share Option Scheme C</i>											
<i>Directors</i>											
14 May 2002	14 May 2003 to 13 May 2012	HK\$0.706	50,000	-	-	-	50,000	-	(100,000)	-	-
12 November 2002	12 November 2003 to 11 November 2012	HK\$0.5	200,000	-	-	-	200,000	-	(400,000)	-	-
			<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>

APPENDIX I

ACCOUNTANTS' REPORT

Date of Grant	Exercise period	Subscription price per share (a)	At 1 January 2006	Granted before 7 July 2006	Lapsed before 7 July 2006	Exercised before 7 July 2006	Adjusted on 7 July 2006	Granted after 7 July 2006	Lapsed after 7 July 2006	Exercised after 7 July 2006	At 31 December 2006
<i>Other employees and optionees</i>											
14 May 2002	14 May 2003 to 13 May 2012	HK\$0.706	1,610,000	-	-	-	1,610,000	-	(20,000)	-	3,200,000
14 August 2002	14 August 2003 to 3 August 2012	HK\$0.5	1,535,000	-	-	-	1,535,000	-	-	-	3,070,000
12 November 2002	12 November 2003 to 11 November 2012	HK\$0.5	150,000	-	-	-	150,000	-	-	-	300,000
26 March 2003	26 March 2004 to 25 March 2013	HK\$0.5	1,147,000	-	-	-	1,147,000	-	-	-	2,294,000
13 August 2003	13 August 2004 to 12 August 2013	HK\$0.5	280,000	-	-	-	280,000	-	-	-	560,000
			<u>4,722,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,722,000</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>9,424,000</u>
			<u>4,972,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,972,000</u>	<u>-</u>	<u>(520,000)</u>	<u>-</u>	<u>9,424,000</u>
Total share options			<u>11,525,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,525,000</u>	<u>-</u>	<u>(620,000)</u>	<u>-</u>	<u>22,430,000</u>

For five months ended 31 May 2007

Date of grant	Exercise period	Subscription price per share	At 1 January 2007	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	At 31 May 2007
<i>I. Share Option Scheme A</i>							
<i>Other employees and optionees</i>							
2 March 2000	2 March 2000 to 1 March 2010	HK\$0.2422	4,296,000	-	(4,184,000)	-	112,000
			<u>4,296,000</u>	<u>-</u>	<u>(4,184,000)</u>	<u>-</u>	<u>112,000</u>
<i>II. Share Option Scheme B</i>							
<i>Directors and Chief Executives</i>							
19 June 2000	19 June 2001 to 18 June 2010	HK\$1.65	2,000,000	-	(1,000,000)	-	1,000,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	3,600,000	-	(3,600,000)	-	-
4 December 2000	4 December 2001 to 3 December 2010	HK\$0.508	-	-	-	-	-
			<u>5,600,000</u>	<u>-</u>	<u>(4,600,000)</u>	<u>-</u>	<u>1,000,000</u>

APPENDIX I

ACCOUNTANTS' REPORT

Date of grant	Exercise period	Subscription price per share	At 1 January 2007	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	At 31 May 2007
<i>Other employees and optionees</i>							
12 July 2000	12 July 2001 to 11 July 2010	HK\$1.23	170,000	–	(150,000)	–	20,000
4 December 2000	4 December 2001 to 3 December 2010	HK\$0.508	140,000	–	(100,000)	–	40,000
17 January 2001	17 January 2002 to 16 January 2011	HK\$1.03	1,860,000	–	(1,700,000)	–	160,000
13 August 2001	13 August 2002 to 12 August 2011	HK\$1.38	940,000	–	(880,000)	–	60,000
			<u>3,110,000</u>	<u>–</u>	<u>(2,830,000)</u>	<u>–</u>	<u>280,000</u>
			<u>8,710,000</u>	<u>–</u>	<u>(7,430,000)</u>	<u>–</u>	<u>1,280,000</u>
III. Share Option Scheme C							
<i>Directors and chief executives</i>							
14 May 2002	14 May 2003 to 13 May 2012	HK\$0.706	–	–	–	–	–
12 November 2002	12 November 2003 to 11 November 2012	HK\$0.50	–	–	–	–	–
			<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
			<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Other employees and optionees</i>							
14 May 2002	14 May 2003 to 13 May 2012	HK\$0.706	3,200,000	–	(2,140,000)	–	1,060,000
14 August 2002	14 August 2003 to 13 August 2012	HK\$0.50	3,070,000	–	(1,380,000)	–	1,690,000
12 November 2002	12 November 2003 to 11 November 2012	HK\$0.50	300,000	–	(300,000)	–	–
26 March 2003	26 March 2004 to 25 March 2013	HK\$0.50	2,294,000	–	(1,662,000)	–	632,000
13 August 2003	13 August 2004 to 12 August 2013	HK\$0.50	560,000	–	(560,000)	–	–
			<u>9,424,000</u>	<u>–</u>	<u>(6,042,000)</u>	<u>–</u>	<u>3,382,000</u>
			<u>9,424,000</u>	<u>–</u>	<u>(6,042,000)</u>	<u>–</u>	<u>3,382,000</u>
Total share options			<u>22,430,000</u>	<u>–</u>	<u>(17,656,000)</u>	<u>–</u>	<u>4,774,000</u>

Note:

- (a) Following the completion of the open offer of the Company (see note 31), adjustments have been made to the subscription price of and the number of shares to be allotted and issue upon full exercise of the subscription right attaching to the outstanding share options of the Company in accordance with the terms of the Share Options Schemes with effect from 7 July 2006. The share options had been adjusted in accordance with the terms in the Share Options Schemes, the requirements set out in Rule 23.03(13) of the GEM Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustments of the share options.

The adjustments to share options were detailed in the Company's announcement dated 2 November 2006.

- (b) The adjusted subscription price and number of shares for the year ended 31 December 2006

	Original subscription price per share HK\$	Original number of shares	Adjusted subscription price per share HK\$	Adjusted number of shares
Share Option Scheme A	0.4844	2,148,000	0.2422	4,296,000
Share Option Scheme B	3.30	1,000,000	1.65	2,000,000
	2.06	2,730,000	1.03	5,460,000
	2.46	85,000	1.23	170,000
	1.016	120,000	0.508	240,000
	2.75	470,000	1.38	940,000
Share Option Scheme C	1.412	1,660,000	0.706	3,320,000
	1.00	3,312,000	0.50	6,624,000

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash inflow/(outflow) from deemed disposal of a subsidiary

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
	(Note)				
Net liabilities disposed of:					
Intangible assets	245	–	–	–	–
Property, plant and equipment	300	48	–	–	–
Inventories	13,877	1,603	–	–	–
Trade receivables	556	18	–	–	–
Prepayments, deposits and other receivables	3,094	1,160	–	–	–
Amounts due from group companies	20,639	–	–	–	–
Cash and bank balances	1,200	8	–	–	–
Trade payables	(34,430)	(1,707)	–	–	–
Accruals and other payables	(8,896)	(1,182)	–	–	–
Amounts due to group companies	(1,559)	–	–	–	–
Minority interests	746	24	–	–	–
	<u>(4,228)</u>	<u>(28)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net liabilities	(4,228)	(28)	–	–	–
Reserve released:					
Capital reserve	–	(2)	–	–	–
Exchange reserve	–	28	–	–	–
	<u>(4,228)</u>	<u>(2)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Gain on deemed disposal of a subsidiary	4,228	2	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Satisfied by:					
Cash consideration	–	–	–	–	–
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary is as follows:					
Cash consideration received	–	–	–	–	–
Less: Cash and bank balances disposed of	1,200	8	–	–	–
	<u>1,200</u>	<u>8</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary	(1,200)	(8)	–	–	–
	<u><u>(1,200)</u></u>	<u><u>(8)</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Note: On 22 March 2004, the shareholders of 深圳市世紀開元實業有限公司 (“世紀開元”), a then 85% owned subsidiary of Shenzhen SYSCAN Technology Co., Ltd. (“SST”, a wholly-owned subsidiary of the Group), approved an issue of new shares to SST and certain other independent third parties. Upon completion of the new issue of shares, the Group’s equity interest in 世紀開元 has been diluted to 41.65% and 世紀開元 has since become an associate of the Group. The new issue of shares constituted a deemed disposal of the then subsidiary in 2004.

(b) Net cash inflow/(outflow) from disposal of subsidiaries

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
	Note (i)		Note (ii)	Note (ii)	
Net assets disposed of:					
Property, plant and equipment	1,252	–	1,105	1,105	–
Long-term investments	3,846	–	–	–	–
Available-for-sale investment	–	–	7,782	7,782	–
Trade receivables	8,294	–	9,554	9,554	–
Inventories	1,939	10	6,296	6,296	–
Prepayments, deposits and other receivables	1,504	697	30,630	30,630	–
Short-term loan receivable	189	–	–	–	–
Cash and bank balances	4,048	29	4,487	4,487	–
Bank loans	–	–	(7,902)	(7,902)	–
Trade payables	(8,456)	–	(1,189)	(1,189)	–
Accruals and other payables	(1,414)	–	(15,289)	(15,289)	–
Amounts due to a group company	(1,120)	–	–	–	–
Minority interests	–	(221)	–	–	–
	<u>10,082</u>	<u>515</u>	<u>35,474</u>	<u>35,474</u>	<u>–</u>
Reserve released:					
Capital reserve	(635)	–	–	–	–
Exchange reserve	(7)	9	3	3	–
	<u>9,440</u>	<u>524</u>	<u>35,477</u>	<u>35,477</u>	<u>–</u>
Loss on disposal of subsidiaries	<u>(9,440)</u>	<u>(472)</u>	<u>(377)</u>	<u>(377)</u>	<u>–</u>
	<u>–</u>	<u>52</u>	<u>35,100</u>	<u>35,100</u>	<u>–</u>
Satisfied by:					
Cash consideration	<u>–</u>	<u>–</u>	<u>35,100</u>	<u>35,100</u>	<u>–</u>
An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:					
Cash consideration received	–	52	–	–	–
Less: Cash and bank balances disposed of	<u>(4,048)</u>	<u>(29)</u>	<u>(4,487)</u>	<u>(4,487)</u>	<u>–</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(4,048)</u>	<u>23</u>	<u>(4,487)</u>	<u>(4,487)</u>	<u>–</u>

- (i) On 23 December 2004, the Group disposed of 90% equity interest in SYSCAN Digital Systems Co., Ltd. with its shared net assets value of approximately HK\$9,000,000 to 深圳市旭感和誠信息技術有限公司, a company in which the director of the Company, Mr. Cheung Wai, had substantial personal interest indirectly, for a consideration of RMB1.

- (ii) On 25 November 2005, the Company entered into an agreement with Mr. Wang Han ("Mr. Wang"), an independent third party, pursuant to which the Company agreed to dispose of the entire share of SYSCAN Imaging Limited ("SIL") at a consideration of US\$4,500,000 (equivalent to HK\$35,100,000). On 7 March 2006, the Company and Mr. Wan entered into a supplemental agreement in connection with the same transaction.

The disposal constituted a very substantial disposal of the Company as outlined in the circular dated 25 April 2006. On 18 May 2006, the disposal was approved by the shareholders at the Special General Meeting.

The Directors had no access to the books and records of SIL and its subsidiaries (the "Disposal Group") except for the unaudited management account for the period from 1 January 2006 to 18 May 2006 (the "unaudited management account"). Accordingly, the result for the period from 1 January 2006 to 18 May 2006 has been incurred in the consolidated income statement. Based on the net assets value as at 18 May 2006, the loss on disposal of the Disposal Group amounted to HK\$377,000 was accounted for in the consolidated income statements and other amounts related to the Disposal Group included in the consolidated cash flow statements.

(c) **Net cash inflow from acquisition of a subsidiary**

	Year ended 31 December			Five months ended	
	2004	2005	2006	31 May	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
	Audited	Audited	Audited	Unaudited	Audited
Fair value of identifiable assets/					
(liabilities) acquired:					
Property, plant and equipment	-	1,568	-	-	-
Inventories	-	663	-	-	-
Trade receivables	-	6,500	-	-	-
Prepayments, deposits and					
other receivables	-	4,171	-	-	-
Cash and bank balances	-	4,062	-	-	-
Trade payables	-	(3,801)	-	-	-
Accruals and other payables	-	(7,759)	-	-	-
Minority interests	-	3,507	-	-	-
	<u>-</u>	<u>8,911</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	-	8,911	-	-	-
Negative goodwill	-	(8,911)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Satisfied by:					
Cash consideration	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Analysis of the net inflow of cash and					
cash equivalents in respect of					
the acquisition of a subsidiary					
Cash and bank balances acquired	-	4,062	-	-	-
Cash consideration	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net inflow of cash and cash equivalents					
in respect of the acquisition of					
a subsidiary	-	4,062	-	-	-
	<u>-</u>	<u>4,062</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 11 March 2005, the Group purchased back the 90% equity interest in SYSCAN Digital Systems Co., Ltd. with the consideration of RMB1 from 深圳市旭感和誠信息技術有限公司, a company in which the director of the Company, Mr. Cheung Wai, had an indirect substantial personal interest.

(d) Significant non-cash transactions

On 31 December 2006, the Company entered into an agreement with a former subsidiary for the disposal of certain plant and machinery and patents by the Company to settle the amount owed by the Group to the former subsidiary. The disposal resulted in a gain of HK\$15,904,000.

	Year ended 31 December			Five months ended	
	2004	2005	2006	31 May	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
	Audited	Audited	Audited	Unaudited	Audited
Net assets disposed of:					
Property, plant and equipment	–	–	4,048	4,048	–
Intangible assets	–	–	1,253	1,253	–
	–	–	5,301	5,301	–
Liabilities settled	–	–	21,205	21,205	–
	–	–	15,904	15,904	–
Gain on disposal of intangible assets and machinery	–	–	15,904	15,904	–

35. COMMITMENTS

(a) Capital commitments

Group

	31 December			31 May
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
Contracted, but not provided for	6,880	4,292	–	–
Authorised, but not contracted for	–	–	–	–
	6,880	4,292	–	–

(b) Operating lease commitment

As lessee:

At the end of the year, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	31 December		31 May	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
As lessee:				
Within one year	1,097	936	37	208
In the second to fifth years, inclusive	788	37	–	173
After five years	–	–	–	–
	<u>1,885</u>	<u>973</u>	<u>37</u>	<u>381</u>

As lessor:

At the end of the year, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	31 December		31 May	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Audited
As lessor:				
Within one year	1,097	628	371	177
In the second to fifth years, inclusive	788	393	177	–
After five years	–	–	–	–
	<u>1,885</u>	<u>1,021</u>	<u>548</u>	<u>177</u>

- (c) The Company did not have capital and operating lease commitment as at the balance sheet date.

36. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

37. LITIGATION

On 6 January 2006, a major bank of the Group, Bank of China ("BOC"), Shenzhen, the PRC, took a legal action against the Company and SYSCAN Optoelectronics Technology (Shenzhen) Co., Limited ("SYSCAN Optoelectronics"), a wholly-owned subsidiary of SYSCAN Manufacturing and an indirectly wholly-owned subsidiary of the Company, in respect of SYSCAN Optoelectronics's default on repayment of interest accrued up to 21 December 2005 on a bank loan granted by BOC on 22 April 2005. BOC claimed against the Company and SYSCAN Optoelectronics for the repayment of the loan and accrued interest and applied to freeze the leasehold land of SYSCAN Optoelectronics. On 2 March 2006, the Company received a writ of summons issued from the Guangdong Provincial Higher People's Court lodged by BOC against the Company and SYSCAN Optoelectronics for the above claim. The above transaction was detailed in the Company's announcement dated 3 March 2006.

As at the date of this circular, all the outstanding bank loan principal (RMB88,000,000) had been repaid using the funds received in accordance to the Share Transfer Agreement. There is still an outstanding loan interest amounted to approximately RMB20,000,000 to be repaid. It is expected that all outstanding loans from banks and other financial institutions will be cleared by the end of 2007. Subject to the satisfactory completion of the Share Transfer Agreement, the Directors expect that the writ will be withdrawn by the end of 2007.

38. RELATED PARTY TRANSACTIONS

In addition to the open offer underwritten by Mr. Cheung Wai (Mr. Cheung, an executive director of the Company) in 2006 (note 31); the disposal of a 90% equity interest in SYSCAN Digital Systems Co., Ltd. to a company in which Mr. Cheung had a substantial personal interest in 2004 (note 34 (b)(i)); the acquisition of the 90% equity interest in SYSCAN Digital Systems Co., Ltd. to a company in which Mr. Cheung had a substantial personal interest in 2005 (note 34 (c)), the amount due to Mr. Cheung (note 29) and the balances with associates of the Group (note 19) and other transactions and balances detailed elsewhere in these Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	31 December			31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental expenses paid/payable to a director	216	72	–	–	–

The amount of rent charged under the lease was determined with reference to the amount charged by the director, Mr. Cheung, to a third party.

Compensation of key management personnel of the Group

	Year ended 31 December			Five months ended 31 May	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Audited	Unaudited	Audited
Short term employee benefits	3,248,681	1,764,219	1,764,219	735,091	685,091
Post-employment benefits	148,650	72,000	72,000	30,000	–
Share-based payments	–	–	–	–	–
Total compensation paid to key management personnel	<u>3,397,331</u>	<u>1,836,219</u>	<u>1,836,219</u>	<u>765,091</u>	<u>685,091</u>

Further details of directors' emoluments are included in note 8.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank overdrafts, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group has a certain concentration of credit risk in relation to its single customer for sales to the United States of America. At 31 May 2007, the trade receivables due from this single customer accounted for 96% of the total gross trade receivables of the Group.

With respect to credit risk arising from the other financial assets of the Group, which is mainly cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans (see note 26).

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. Bank loans at variable rates expose the Group to cash flow interest rate risk. Bank loans at fixed rate expose the Group to fair value interest rate risk. Details of the Group's bank loans have been disclosed in note 26.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from export sales in currency other than the units' functional currency. Approximately 97% (2005: 89%) of the Group's sales are denominated in currency other than the functional currency. The Group exchanged foreign currency arising from export sales into functional currency upon receipt to eliminate the currency exposures.

II. SUBSEQUENT EVENTS

Reference is made to the Company's announcement dated 17 July 2007. Pursuant to the subscription agreement dated 28 June 2007, the independent third party investor ("Investor") would subscribe for 80% shares of a subsidiary of the Company thereby, upon completion, the said subsidiary will become an associate of the Company. The subscription constitutes a deemed disposal of the Company's equity interest in the subsidiary under Rule 19.29 of the GEM Listing Rules.

The Investor paid the first three installments in accordance with the terms of the said agreement up to 20 August 2007. However, the Investor defaulted in payment for the fourth and fifth installments on 20 September and 20 October 2007 respectively. On-going negotiation and allowances for time extension had been made and offered but they still could not fulfill their obligations as further agreed and within the extended time allowed.

On 23 October 2007, the Company announced that since the Investor failed to comply with the agreed terms and obligation within the extended time constraint, the Company decided to terminate the subscription agreement with effective on that date according to the supplemental agreement entered into between the parties.

Saved as disclosed above, the share transfer agreement detailed in note 11 and the loan restructuring agreement detailed in note 37, there were no events taken place subsequent to 31 May 2007.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 May 2007.

Yours faithfully,
Cachet Certified Public Accountants Limited
Certified Public Accountants
Hong Kong

Chan Yuk Tong
Practising Certificate Number P03723

1. PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Paragraph 31 of Chapter 7 of the GEM Listing Rules is set out here to provide the investors with further information to illustrate the financial position of the Remaining Group after the Disposal.

The unaudited pro forma financial information of the Remaining Group is derived after a number of adjustments. Although reasonable care has been exercised in preparing the said information, prospective investors reading the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial position of the remaining Group as at 31 May 2007 or the actual financial results and cash flows of the Remaining Group for the year ended 31 December 2006.

(i) **Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 December 2006 as if the Disposal had been completed on 1 January 2006**

	The Group Year ended 31 December 2006 HK\$'000 Audited	Pro forma adjustments			The Remaining Group Year ended 31 December 2006 HK\$'000 Unaudited
		HK\$'000 Note (a)	HK\$'000 Note (b)	HK\$'000 Note (c)	
CONTINUING OPERATIONS					
Revenue	92,690				92,690
Cost of sales	(67,713)				(67,713)
Gross profit	24,977				24,977
Other income	4,530				4,530
Selling and distribution expenses	(5,953)				(5,953)
General and administrative expenses	(19,753)				(19,753)
Research and development expenses	(4,657)				(4,657)
Other operating expenses	(21,959)				(21,959)
Loss from continuing operations	(22,815)				(22,815)
Finance costs	(5,120)				(5,120)
Loss on disposal of a subsidiary	(377)				(377)
Gain on deemed disposal of a subsidiary	-		57,646		57,646
Share of profits and losses of associates	(565)			7,123	6,558
Profit/(Loss) before taxation	(28,877)				35,892
Tax	(2)				(2)
Profit/(Loss) for the year from continuing operations	(28,879)				35,890
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	15,829	(15,829)			-
Profit/(Loss) for the year	<u>(13,050)</u>				<u>35,890</u>
Attributable to:					
Equity holders of the Company	(11,600)	(15,829)	57,646	7,123	37,340
Minority interests	(1,450)				(1,450)
	<u>(13,050)</u>				<u>35,890</u>

APPENDIX II
**PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**
**(ii) Unaudited pro forma consolidated balance sheet of the Remaining Group
as at 31 May 2007 as if the Disposal had been completed on 31 May 2007**

	The Group 31 May 2007 HK\$'000 Audited	Pro forma adjustments			The Remaining Group 31 May 2007 HK\$'000 Unaudited
		HK\$'000 Note (d)	HK\$'000 Note (e)	HK\$'000 Note (f)	
NON CURRENT ASSETS					
Intangible assets	854				854
Property, plant and equipment	12,417				12,417
Interest in associates	35,216		95,400		130,616
Available-for-sale investments	—				—
	<u>48,487</u>				<u>143,887</u>
CURRENT ASSETS					
Inventories	1,362				1,362
Trade receivables	7,162				7,162
Prepayments, deposits and other receivables	57,044				57,044
Due from associates	5				5
Cash and cash equivalents	5,728			33,851	39,579
	<u>71,301</u>				<u>105,147</u>
Assets of a disposal group classified as held for sale	175,403	(175,403)			—
Total current assets	<u>246,704</u>				<u>105,147</u>
CURRENT LIABILITIES					
Bank loans, secured	19,397				19,397
Trade payables	19,850				19,850
Accruals and other payables	40,980				40,980
Due to a director	5,868				5,868
Due to associates	39,601				39,601
	<u>125,696</u>				<u>125,696</u>
Liabilities directly associated with assets classified as held for sale	161,460	(161,460)			—
Total current liabilities	<u>287,156</u>				<u>125,696</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(40,452)</u>				<u>(20,549)</u>
NET ASSETS	<u>8,035</u>				<u>123,338</u>

APPENDIX II
**PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**
(iii) Uuaudited pro-forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2006

	The Group Year ended 31 December 2006 HK\$'000		Pro-forma adjustments			The Remaining Group Year ended 31 December 2006 HK\$'000
		HK\$'000 Note (g)	HK\$'000 Note (b)	HK\$'000 Note (c)	HK\$'000 Note (f)	
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit/(Loss) for the year	(13,050)	(15,829)	57,646	7,123		35,890
Adjustment for:						
Tax	2					2
	(13,048)					35,892
Adjustments for:						
Amortisation of intangible assets	513					513
Depreciation of property, plant and equipment	5,877	(190)				5,687
Finance costs	7,419	2,299				9,718
Interest income	(114)					(114)
Loss on disposal of property, plant and equipment	208					208
Gain on disposal of intangibles assets and machinery	(15,904)	15,904				-
Gain on deemed disposal of subsidiaries	-		(57,646)			(57,646)
Loss on disposal of subsidiaries	377					377
Write-back of impairment loss on trade receivables	(1,793)					(1,793)
Write-down of inventories	376					376
Share of profits and losses of associates	565			(7,123)		(6,588)
Impairment loss on an available-for-sale investment	1,560					1,560
Impairment loss on amount due from an associate	19,886					19,886
Trade payables written off	(1,412)					(1,412)
Operating profit before working capital changes	4,510					6,694
Increase in inventories	(3,909)					(3,909)
Increase in trade receivables	(11,393)	(93)				(11,486)
Decrease/(increase) in prepayments, deposits and other receivables	(34,518)	475				(34,043)
Increase in amount due to a director	4,590					4,590
Increase in trade payables	6,255	1,639				7,894
Increase/(decrease) in other payables	20,289	(291)				19,998

APPENDIX II
**PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

	The Group Year ended 31 December 2006 HK\$'000		Pro-forma adjustments			The Remaining Group Year ended 31 December 2006 HK\$'000
		HK\$'000 Note (g)	HK\$'000 Note (b)	HK\$'000 Note (c)	HK\$'000 Note (f)	HK\$'000
Cash used in operations	(14,176)					(10,262)
Interest received	114					114
Interest paid	(1,649)					(1,649)
Overseas taxes paid	(2)					(2)
Net cash outflow from operating activities	(15,713)					(11,799)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(897)	–				(897)
Proceeds from disposal of property, plant and equipment	20,955					20,955
Additions to property under development	(5,440)	5,440				–
Cash outflow from disposal of a subsidiary	(4,487)					(4,487)
Decrease/(increase) in interests in associates	(1,634)	2,609				975
Net cash inflow from investing activities	8,497					16,546
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of amounts due from the Disposal Group	–				33,851	33,851
Repayment of short term bank loans	(2,063)	(13,982)				(16,045)
Shares issued arising from open offer	9,212					9,212
Net cash inflow from financing activities	7,149					27,018
NET DECREASE IN CASH AND CASH EQUIVALENTS	(67)					31,765
Cash and cash equivalents at beginning of year	8,140	(21)				8,119
Effect of foreign exchange rate changes, net	(3,154)	1,996				(1,158)
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,919					38,726
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	4,919					38,726

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (a) The adjustment reflects the exclusion of the financial results of SYSCAN Manufacturing and its subsidiary (the “Disposal Group”) from the consolidated income statement upon the Disposal by the Remaining Group, assuming the Disposal had taken place on 31 May 2007.
- (b) The adjustment reflects the gain on the Disposal of approximately HK\$57,646,000, the latter of which is reconciled as follows:

HK\$'000

Consolidated net liabilities of the Disposal Group as at 31 May 2007 before the completion of the Share Transfer Agreement	(73,502)
Revaluation surplus of the property under development of the Disposal Group	39,269
Deposits forfeited as a result of the termination of the share subscription agreement dated 28 June 2007 among the Company, SYSCAN Manufacturing and Luck Fame International Investment Holdings Limited	59,814
Subscription monies received from Rise Billion by SYSCAN Manufacturing pursuant to the Share Transfer Agreement	132,825
Liabilities of the Disposal Group taken up by the Remaining Group	<u>53,594</u>
Consolidated net assets of the Disposal Group as at 31 May 2007 after the completion of the Share Transfer Agreement	<u>212,000</u>
The Group's 45% share in the Disposal Group's net assets as at 31 May 2007 after the completion of the Share Transfer Agreement	95,400
The Group's share in the consolidated net liabilities of the Disposal Group as at 31 May 2007 before the completion of the Share Transfer Agreement	13,688
Capital reserve released	6,516
Exchange reserve released	(4,364)
Liabilities of the Disposal Group taken up by the Remaining Group	<u>(53,594)</u>
Gain on the Disposal	<u>57,646</u>

- (c) The adjustment reflects the Remaining Group's 45% share in the profit of the Disposal Group for the year ended 31 December 2006.
- (d) The adjustment reflects the exclusion of the assets and liabilities of the Disposal Group as at 31 May 2007 and the reclassification of the amount due from the Disposal Group to the Remaining Group as at 31 May 2007.
- (e) The adjustment reflects the Remaining Group's share in the net assets of the Disposal Group as at 31 May 2007.
- (f) The adjustment reflects cash received from the Disposal Group for the repayment of the outstanding amounts due from the Disposal Group to the Remaining Group.
- (g) The adjustment reflects the exclusion of the cash flows of the Disposal Group for the year ended 31 December 2006 assuming that the Disposal had taken place on 1 January 2006.

**2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

30 November 2007

The Board of Directors
SYSCAN Technology Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of the Remaining Group (the Group (as defined herein), excluding SYSCAN Manufacturing Limited ("SYSCAN Manufacturing") and its subsidiary, SYSCAN Optoelectronics Technology (Shenzhen) Co., Ltd. ("SYSCAN Optoelectronics"), set out on pages 94 to 98 in Appendix II to the Circular dated 30 November 2007 (the "Circular") issued by SYSCAN Technology Holdings Limited (the "Company", and together with its subsidiaries, referred to as the "Group") in connection with the proposed very substantial disposal (the "Disposal") of the Group's 55% equity interest in SYSCAN Manufacturing. The pro forma financial information is unaudited and has been prepared by the Directors of the Company, solely for illustrative purposes, to provide information about how the Disposal and the transactions as described in the accompanying introduction to the unaudited pro forma financial information of the Remaining Group might have affected the historical financial information in respect of the Group. The historical financial information is derived from the audited and unaudited historical financial information of the Group, where applicable, appearing elsewhere in the Circular. The basis of preparation of the unaudited pro forma financial information is set out in the accompanying introduction and notes to the unaudited pro forma financial information of the Remaining Group.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND
REPORTING ACCOUNTANTS**

It is the responsibility solely of the Directors of the Company to prepare the pro forma financial information in accordance with Paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM 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 (the "HKICPA").

It is our responsibility to form an opinion, as required by the GEM 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 HKICPA. 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 pro forma financial information has been properly compiled by the Directors of 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 purposes of the unaudited pro forma financial information as disclosed pursuant to Paragraph 31 of Chapter 7 of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. We do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the directors’ judgements and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of: the financial position of the Remaining Group as at 31 May 2007 or at any future date; or the results of the Remaining Group for the year ended 31 December 2006 or for any future periods.

OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Paragraph 31 of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
CACHET CERTIFIED PUBLIC ACCOUNTANTS LIMITED
Certified Public Accountants
Hong Kong
Chan Yuk Tong

Practising Certificate Number P03723

1. INDEBTEDNESS STATEMENT

As at 31 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this statement of indebtedness, the Group had the following outstanding borrowings:

	<i>HK\$'000</i>
Secured bank loans (<i>note 1</i>)	108,000
Due to a director (<i>note 2</i>)	2,000
Due to an associate (<i>note 2</i>)	37,120
Total borrowings	139,920

Notes:

- (1) Included in the bank loans is an unguaranteed bank loan of RMB88,000,000 (approximately HK\$92,632,000) as at 31 October 2007, which was secured by the property under development of HK\$174,654,000 of the Disposal Group.

On 6 January 2006, a major bank of the Group, Bank of China ("BOC"), Shenzhen, the PRC, took a legal action against the Company and SYSCAN Optoelectronics Technology (Shenzhen) Co., Limited ("SYSCAN Optoelectronics"), a wholly-owned subsidiary of SYSCAN Manufacturing and an indirectly wholly-owned subsidiary of the Company, in respect of SYSCAN Optoelectronics' default on repayment of interest accrued up to 21 December 2005 on a bank loan granted by BOC on 22 April 2005. BOC claimed against the Company and SYSCAN Optoelectronics for the repayment of the loan and accrued interest and applied to freeze the leasehold land of SYSCAN Optoelectronics. On 2 March 2006, the Company received a writ of summons issued from the Guangdong Provincial Higher People's Court lodged by BOC against the Company and SYSCAN Optoelectronics for the above claim. The above transaction was detailed in the Company's announcement dated 3 March 2006.

Up to the date of this circular, SYSCAN Optoelectronics has repaid a total of approximately RMB28,620,000 and HK\$74,880,000 (approximately a total of HK\$104,931,000) to BOC.

Other than the bank loan on demand as mentioned above, the remaining bank loans were secured by:

- (i) the Group's leasehold land and buildings included in the property, plant and equipment with the net book value of HK\$6,253,000;
 - (ii) the Group's intangible assets with net book value of HK\$854,000 ;
 - (iii) the Group's plant and machinery included in property, plant and equipment with the net book value of HK\$6,164,000; and
 - (iv) a personal guarantee given by Mr. Cheung Wai, the director of the Company.
- (2) The amounts due to the director and the associate are unsecured, interest-free and are repayable on demand.
- (3) There is no other borrowings or indebtedness in the nature of borrowing of the group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments that exist at the date of this circular.
- (4) There is not any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans that exist as at the date of this circular.
- (5) Save as disclosed in (1) above and Note 37 to the Accountants' Report in Appendix I, there is no other contingent liabilities, guarantees, mortgages or charges that exist at the date of this circular.

2. MATERIAL ADVERSE CHANGE

As at 31 May 2007 and up to the date of this circular, other than the outstanding litigation as referred to in Note (1) under the Indebtedness Statement section, the Directors are not aware of the existence of any material adverse change in the financial or trading position of the Group that should be brought to the attention of the shareholders and the Stock exchange.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that the Group would not have sufficient working capital to enable it to operate as a going concern in the foreseeable future. The Directors are exploring every opportunity to raise additional working capital including the Disposal. The directors may also consider, in order to raise additional funds, carrying out placement or right issue exercise.

4. MANAGEMENT DISCUSSION AND ANALYSIS

For the five months' period ended 31 May 2006 and 2007, the Remaining Group recorded a turnover of approximately HK\$25,035,000 and HK\$36,446,000 respectively. The increase in turnover is mainly contributed by the Group's effort in promoting the Group's core products. With the Group's effort in concentrating its core business of scanner products, the continuing operation recorded a net loss of approximately HK\$4 million for the five months' period ended 31 May 2007, representing a substantial decrease in loss by 86% over the same period last year.

During the relevant period, the Remaining Group has been developing and continuing to explore the application of its 2D barcode technology in different fields of business. The Remaining Group has its own proprietary CM and GM coding certified by relevant PRC authorities. With the launch of the Remaining Group's 2D barcode products, the coding can provide for more superior results than normal 1D coding as more data can be contained therein.

No material acquisition or disposal of subsidiary or affiliated company has been carried out by the Remaining Group during the period ended 31 May 2007.

(a) Financial Resources and Liquidity

Cash and bank balances of the Remaining Group amounted to approximately HK\$7,252,000 as at 31 October 2007 and accounted for 7% of the current assets of the Remaining Group. As at 31 October 2007, short-term bank borrowings of the Remaining Group amounted to approximately HK\$2,000,000. All short-term bank borrowings were denominated in RMB, bore interest at rates of 6% to 8% per annum and were secured by the Remaining Group's leasehold land included in property under development, the

Remaining Group's leasehold land and buildings in Shenzhen, and the Remaining Group's machinery and intangible assets. The maturity profile of outstanding bank loans as at 31 December 2006 and 31 May 2007 are analyzed as follows:–

	As at 31 December			As at
	2004	2005	2006	31 May
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Bank loans, secured	<u>761</u>	<u>505</u>	<u>462</u>	<u>2,555</u>
The analysis of the above balances is as follows:				
Bank loans				
Within one year	145	59	64	66
After 1 year but within 2 years	145	59	66	192
After 2 years but within 5 years	196	178	192	140
After 5 years	<u>275</u>	<u>209</u>	<u>140</u>	<u>2,157</u>
	761	505	462	2,555
Current portion of bank loans	<u>(145)</u>	<u>(59)</u>	<u>(64)</u>	<u>(66)</u>
Non-current portion of bank loans	<u>616</u>	<u>446</u>	<u>398</u>	<u>2,489</u>

As at 31 May 2007, the gearing ratio, defined as long-term borrowings to equity, of the Remaining Group was 2.4%.

During the period ended 31 May 2007, the Remaining Group has had no material exposure to exchange rate fluctuations and the Remaining Group has not had any financial instrument for hedging purpose.

As at 31 May 2007, the Company had contingent liabilities relating to corporate guarantee given in respect of banking facilities extended to certain subsidiaries of approximately HK\$154,155,000.

(b) Valuation of properties of the Disposal Group

Disclosure of the reconciliation of the property interest of the Disposal Group and the valuation of such properties as required under Rule 8.30 of the GEM Listing is set out below:

	HK\$'000	HK\$'000
Valuation of properties as at 31 October 2007 as set out in the Valuation Report in Appendix IV		212,000
Net book value of the properties as at 31 May 2007 as set out in the Accountants' report in Appendix I		
– Land	53,122	
– Construction expenditure	118,732	
– Fixtures, Plant and equipment	876	
	172,730	
Less: Depreciation of fixtures, plant and equipment for the five months to 31 October 2007	(96)	
Net book value of properties as at 31 May 2007 subject to valuation		172,634
Net valuation surplus		39,366

(c) Research and development

For the period ended 31 May 2007, the Group has continued its effort in strengthening its research and development team on existing, as well as, new products, including the 2D barcode technology.

(d) Production

The directors believe that the current production capacity can fulfill the production needs in the coming year.

(e) Business Segment

Geographical segment of the Group for conventional products became more dependent on the US market in recent years and accounts for approximately 89%; 97% and 96% of total sales for the year ended 31 December 2005, 31 December 2006 and the five months ended 31 May 2007. Besides continuing to promote its core products, the Group has since 2001 started to develop the 2D barcode technology. After several years' intensive research and development activities over the 2D barcode technology, it is expected that real life application of the technology will be crystallized. The management is confident that the Group would become a major service provider in the 2D barcode application business within the PRC market.

(f) Charges and Gearing

Save as disclosed in note (1) to the Indebtedness Statement, there is no other charges over the Group's assets that existed at the date of this circular.

(g) Sales and Marketing

The Group has concentrated its efforts on selling its own proprietary optical image capturing devices units, modules units and chips and other optoelectronic products units which have much higher gross profit margins. The Group has finished the sample 2D barcode products and had sent to its customers for evaluation. The Group had put various ads in magazine and newspapers to promote the Group's products.

(h) Intellectual Property

The Directors believe that the intellectual property is an important asset of the Group as our revenue is based on the fruits of years of vigorous research and development as well as marketing efforts. As of 31 May 2007, the Group has 49 trademarks, product names and logos applications filed under processing in different countries and regions, of which 21 trademarks have been approved. In addition, the Group has been granted 95 patents and 168 patents are filed in different countries and regions under processing as of 31 May 2007.

(i) Employees

As at 31 May 2007, the Group has approximately 312 employees. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include share options and performance bonus.

(j) Financial and Trading Prospects

Facing the tough and competitive IT industry, the Group will actively cut down its general overheads and production cost, and will actively develop different products in order to bring in more revenue to the Group.

After several years' intensive research and development activities over the 2D barcode technology, it is expected that real life application of the technology would be crystallized, The management is confident that the Company would become a major service provider in the 2D barcode application business within the PRC market.

As at the date of this circular, the Group does not foresee any material investment or purchase of capital assets will be made.

The following is the text of a letter and valuation certificate received from Vigers Appraisal & Consulting Limited prepared for the purpose of incorporation in this circular, in connection with its valuation as at 31 October 2007 of all the property interests of the Group.

Vigers Appraisal & Consulting Limited

International Assets Appraisal Consultants

10th Floor
The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



29 November 2007

The Directors
SYSCAN Technology Holdings Limited
Unit C, 21/F, Seabright Plaza,
9-23 Shell Street, North Point,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by the SYSCAN Technology Holdings Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) located in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests for the purpose of incorporation in the circular at the 31 October 2007 (“the date of valuation”).

Our valuation is our opinion of the market value of the property interests which we would define market value as 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”.

In valuing the property interest, which is held and occupied by the Company in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Shenzhen City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of the market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical

deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

Our valuation has been made on the assumption that the owner sells the property in the open market without the benefit of the deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to increase the value of the property. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

In valuing the property interest, we have assumed that the owner has free and uninterrupted to use, occupy or assign the property interest for the whole of the unexpired term of the respective land use rights. Furthermore, we have also assumed that all consents, approvals and licences from relevant PRC government authorities for development of the property interest were granted without any onerous conditions or undue delay.

In the course of our valuation, we have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. However, we have been provided with extracts of title documents relating to the property interests. We have not, however, searched the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which do not appear on the copies handed to us. All documents have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and therefore are only approximations.

We have relied to a considerable extent on information provided by the Directors of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property in which you have valid interests. Dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us by the Directors of the Company and are therefore only approximations.

In undertaking our valuation for the property interests, we have relied on the legal opinion provided by Guangdong Guang He Law Firm, the Group's legal advisers ("the PRC Legal Opinion").

We have inspected the exterior and interior of the property, however, no structural survey has been made. We are not, therefore, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. For any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that

these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property value nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

In valuing the property interest, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by Hong Kong Institute of Surveyors ("HKIS").

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property in the PRC as at 31 October 2007 was RMB1=HK\$1.035. There has been no significant fluctuation in the exchange rate for Renminbi (RMB) against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc (e-com)
Executive Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over nineteen years' experiences in undertaking valuations of properties in Hong Kong and has over twelve years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value as at 31 October 2007
An industrial complex located on Site No. A724-0014, Shuitian Village, Shiyao Town, Baoan District, Shenzhen, the PRC	The property comprises a parcel of land together with 6 buildings completed in 2002 erected thereon, and two buildings are under construction. Phase 1 had been completed in 2002 which primarily consists of 6 buildings including 2 blocks of 2-storey industrial buildings, 2 blocks of 2-storey office buildings, a block of 2-storey canteen building and a block of 4-storey dormitory building, and 2 industrial buildings under construction. According to information provided by the Directors of the Company, the 2 industrial buildings under construction are scheduled to be completed in 2009. The property has been granted with a land use right for a term of 50 years commencing from 26th July 2001 to 25th July 2051 for industrial use.	The completed portion of property at present is occupied by the Group for factory and ancillary uses.	No commercial value

Notes:

1. According to a State-owned Land Use Right Grant Contract (Document No.: Shen Di He Zi (2001) No. 4109) entered into between the Shenzhen Land Planning Bureau (Party A) and 矽感微訊光電科技(深圳)有限公司(now known as 深圳矽感光電有限公司) (Shenzhen Syscan Optoelectronics Co., Ltd.) (Party B) dated 26th July 2001, the land use right of the property having a site area of approximately 190,234.1 sq.m. has been granted from Party A to Party B for a term of 50 years commencing from 26th July 2001 to 25th July 2051 for industrial use at a consideration of RMB19,698,354.
2. Pursuant to a Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 5000050543), the land use right of the property having a site area of approximately 190,234.1 sq.m has been granted to 矽感微訊光電科技(深圳)有限公司 (Shenzhen Syscan Optoelectronics Co., Ltd.) for a term of 50 years commencing from 26th July 2001 to 25th July 2051 for industrial use.

The Real Estate Ownership Certificate has stated that the property is forbidden for transfer and mortgage, the leasing of the property is restricted by the relevant regulations.

3. According to the information provided by the Group, six Completion Acceptance Permits and the Shenzhen Building's Gross Floor Area Surveying Report issued in 2002, there are 6 buildings having a total gross floor area of approximately 22,940.78 sq.m. erected thereon, the particulars of which are set out as follows:

Building Name	Gross Floor Area (sq.m.)	No. of Storey
Factory A	8,092.23	2
Factory C	8,092.23	2
Office A	608.02	2
Office B	608.02	2
Staff Quarter No.1	3,020.33	4
Canteen No.2	2,519.95	2
Total	<u>22,940.78</u>	

According to the Completion Acceptance Permit, these buildings were completed in 2002.

According to the information provided by the Group, the total development cost of the building portion has not been fully settled and the buildings have not been registered in the Real Estate Ownership Certificate.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (a) The current registered owner of the property is Shenzhen Syscan Optoelectronics Co., Ltd. However, the ownership of the property is forbidden to transfer in the market unless the land premium has been duly settled subject to the regulations of the government. According to information provided by the Directors of the Company, the expected outstanding premium is approximately RMB50M which will be paid the investor. The property may be leased or mortgaged if relevant regulations have been complied with.
- (b) According to the PRC's Legal Opinion, the transfer of shares within Syscan Manufacturing Ltd., the mother company of Shenzhen Syscan Optoelectronics Co., Ltd., holding the land, is not prohibited and is legal.
- (c) The building portion of the property has not been duly registered in the relevant government organization. Thus, the buildings are not entitled to transfer or dispose of in the open market.

According to the PRC's Legal Opinion, buildings are entitled to occupy if the Completion Acceptance Permit and the Fire Resistance Acceptance Permit have been obtained. If there is any violation to these regulations, the occupants and the responsible person would have to bear civil liability, administrative liability or even criminal liability.

Since the building portion of the property has obtained the Completion Acceptance Permits and the Fire Resistance Acceptance Permits, thus the occupation of the building portion by the Group has not violated these regulations.

- (d) According to the PRC's Legal Opinion, the property was subject to a mortgage in favor of Bank of China (Shenzhen Branch) at a consideration of RMB19,000,000 dated 27 April 2004. According to the PRC's Legal Opinion, the mortgage was discharged dated 2 June 2005.
- (e) According to the PRC's Legal Opinion, the land of the property has been sealed by the People's Court of Baoan District, Shenzhen since 12 October 2005.

5. Pursuant to the statement on the Real Estate Ownership Certificate, we have assigned no commercial value to the property because the property cannot be freely transferred, leased and mortgaged in the open market.

However, for indicative purpose and according to the specific instruction by the Group to provide the market value of the property as at the date of valuation on the assumptions that the property having a plot ratio of 2.5 and can be freely transferred, mortgaged and leased in the open market, the market value of the property as at the date of valuation on the aforesaid assumptions was RMB205,000,000 (equivalent to approximately HK\$212,000,000).

According to information provided by the Directors of the Company, the estimated construction cost of the 2 industrial buildings under construction is in the region of RMB300,000,000 (equivalent to approximately HK\$310,237,000)

6. According to the information provided by the Group, the total estimated development cost of the property is HK\$147,134,000 and the cost incurred as at the date of valuation is HK\$141,134,000.
7. Pursuant to the PRC Legal Opinion, we understand that the current status of titles, grant of major approvals, licenses and documents of the property are as follows:

(a)	Real Estate Ownership Certificate	yes
(b)	State-owned Land Use Right Grant Contract	yes
(c)	Shenzhen Land Planning Permit	yes
(d)	Completion Acceptance Permits	yes
(e)	Fire Resistance Acceptance Permits	yes
(f)	Mortgage Agreement	yes

8. According to the information provided, Shenzhen Syscan Optoelectronics Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests or Short Positions of Directors in the Share Capital of the Company and Its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, debentures or underlying shares of the Company or any of their associated corporations (within the meaning of Part XV of the SFO) which had 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 he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares

Name	Capacity	Number of Shares held			Total	% of Interest
		Personal Interest	Family Interest	Corporate Interest		
Mr. Cheung Wai	Beneficial owner	149,882,409	–	18,740,000 (Note)	168,622,409	41.18%
Mr. Jin Qingjun	Beneficial owner	50,000	–	–	50,000	0.01%

Note: 18,740,000 Shares are held by Simrita Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Cheung Wai.

Long positions in underlining shares of the Company (Share options granted to the Directors)

Name	Date of grant	Exercise price	Number of Share Options held as at the Latest Practicable Date	Exercise Period
Mr. Cheung Wai	19 June 2000	HK\$1.65	1,000,000	19 June 2001 to 18 June 2010

(b) Persons Who have an Interest or Short Position Which Is Discloseable Under Division 2 and 3 Of Part XV of the SFO and Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or a short position 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 is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long position in Shares

Name	Capacity	Nature of interest	Number of Shares	% of issued share capital
None				

3. SERVICE CONTRACTS

None of the Directors has or proposes to have a service agreement with any member of the Group which is not expiring or determinable by such member within one year without payment of compensation (other than statutory compensation).

4. OTHER INTERESTS OF DIRECTORS

- (i) As the Latest Practicable Date, the Directors are Mr. Cheung Wai, Mr. Zhang Ming, who are executive Directors, and Mr. Fong Chi Wah, Mr. Jin Qingjun and Mr. Wang Ruiping, who are independent non-executive Directors.

- (ii) As the Latest Practicable Date, 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 business of the Group.
- (iii) As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.
- (iv) As at the Latest Practicable Date, none of the Directors have any interests, either direct or indirect, in any assets which have been acquired or disposed of or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

5. LITIGATION

As at the Latest Practicable Date, save and except for the Litigation, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group. For details of outstanding litigation of the Group, please refer to Note 37 of the Accountants' Report on page 90 of this circular.

6. EXPERT

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular.

Name	Qualification
Cachet Certified Public Accountants Limited	Certified public accountants
Vigers Appraisal & Consulting Ltd.	Property valuer
Guangdong Guang He Law Firm	Qualified PRC lawyers

As at the Latest Practicable Date, Cachet Certified Public Accountants Limited, Vigers Appraisal & Consulting Ltd. and Guangdong Guang He Law Firm have given and have not withdrawn their consents to the issue of this circular with the inclusion of their report/letter and references to their names, as the case may be, in the form and context in which they appear. The statements made by Cachet Certified Public Accountants Limited, Vigers Appraisal & Consulting Ltd. and Guangdong Guang He Law Firm are given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, Cachet Certified Public Accountants Limited, Vigers Appraisal & Consulting Ltd. and Guangdong Guang He Law Firm did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did they have any interests, either direct or indirect, in any assets which have been acquired or disposed of or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, management Shareholders and substantial Shareholders, or their respective associates had any interests in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

8. MATERIAL CONTRACTS

The following are the contracts, not being contracts entered into the ordinary course of business of the Group, have been entered into by the Group within 2 years preceding the date of this circular and are, or maybe material:–

- (a) the Agreement dated 25 November 2005 between the Company as vendor and Mr. Wang Han as the purchaser in respect of the entire issued share capital of SIL at a consideration of US\$4,500,000;
- (b) the Supplemental Agreement dated 7 March 2006 entered into between the Company and the Purchaser for the purpose of postponing the Long Stop Date and revising the payment schedule of the consideration of the Sale Shares by the Purchaser under the Agreement;
- (c) the underwriting agreement dated 15 February 2006 between the Company and Mr. Cheung Wai in respect of underwriting of the Open Offer by the Company on 19 June 2006 in respect of not less than 307,092,981 and not more than 341,677,981 new shares of the Company at HK\$0.03 per Offer Share;
- (d) the irrevocable undertakings dated 15 February 2006 signed by Mr. Cheung Wai in favour of the Company in respect of his undertaking to accept the Shares provisionally allotted to him pursuant to the Open Offer;
- (e) the loan agreement dated 23 February 2006 between the Company and Mr. Cheung Wai in respect of a loan in the sum of HK\$9,400,000 advanced by Mr. Cheung Wai to the Company on 13 February 2006; and
- (f) the share subscription agreement dated 28 June 2007 among the Company, SYSCAN Manufacturing and Luck Fame International Investment Holdings Limited (“Luck Fame”) in respect of Luck Fame’s subscription for 40,000 shares in SYSCAN Manufacturing.

9. MISCELLANEOUS

- (a) The qualified accountant and company secretary of the Company is Mr. Fung Kwok Leung. Mr. Fung holds an Honours Degree in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (b) The compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules is Mr. Cheung Wai. Mr. Cheung holds a bachelor degree in electronic engineering from China Central Institute of Technology in the PRC.
- (c) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The principal place of business and head office of the Company in Hong Kong is situated at Unit C, 21/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular and the form of proxy shall prevail over the Chinese text.
- (f) The Company established an audit committee on 2 May 2000 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The duties of the audit committee include (1) reviewing, in draft form, the Company's annual report and accounts, half-year report and quarterly reports and providing advice and comments thereon to the Board; and (2) reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises three independent non-executive Directors, namely, Messrs. Fong Chi Wah, Jin Qingjun and Wang Ruiping. The chairman of the audit committee is Mr. Fong Chi Wah. Further details of the members of the audit committee are set out below:-

Mr. Fong Chi Wah, aged 45, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Institute of Certified Management Accountants, Australia and a member of the Hong Kong Institute of Directors. Mr. Fong has over 21 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr. Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr. Fong was also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr. Fong is currently an executive director of National Investments Fund Limited, a company listed on the Stock Exchange.

Mr. Fong holds a bachelor's degree in management science (economics) from Lancaster University, United Kingdom, a master's degree in business administration from Warwick University, United Kingdom, a master's degree in investment management from the Hong Kong University of Science and Technology and a master's degree in practising accounting from Monash University, Australia.

Mr. Jin Qingjun, aged 50, is currently a partner of King & Wood, solicitors and attorneys in PRC. He has over 20 years of rich experience in the fields of finance, securities, investment, intellectual property, real estate, corporate, maritime, insolvency and litigation as well as foreign investment related areas. Mr. Jin was the founder and Managing Partner of Shu Jin & Co., solicitors and attorneys in PRC. He has previously worked as Attorney for C & C Law Office in PRC, as Foreign Attorney for Clyde & Co., British solicitors, and Johnson Stokes & Master, solicitors in Hong Kong. Presently, Mr. Jin acts as legal consultant for various financial institutions, securities companies, listed companies and overseas corporations such as the World Bank Group International Finance Corporation. He is now also acting as independent director of two listed in the PRC namely Success Information Industry (Group) Stock Co., Ltd. (成功信息產業(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange and China United Travel Stock Co., Ltd. (國旅聯合股份有限公司), a company listed on the Shanghai Stock Exchange. He is also an independent director of a sino-US investment management firm, namely INVECO Great Wall Securities Fund Management Co., Ltd. (景順長城基金管理有限公司). Mr. Jin is one of the first lawyers who was granted the license to advise on securities transactions in PRC. He holds a bachelor's degree in English from Anhui University and a master degree of Laws in International Laws from China University of Political Science & Law. He is the Adjunct Professor of China University of Political Science & Law, and an Arbitrator of China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission. Mr. Jin is also a member of various law societies and associations namely China Law Society, China International Law Association, China Maritime Law Association, D.C. Bar of the United States of America, WTO Committee of All China Lawyers Association and Inter Pacific Bar Association.

Mr. Wang Ruiping, aged 45, is a managing director of TDR Capital International Limited and an independent non-executive director of China Huali Holding Limited since March 2003, a company listed in Shenzhen stock exchange. Mr Wang has over 15 years of investment banking and investment management experience. He also has profound experience of investments in China via listings on domestic and foreign stock exchanges. He has previously worked as executive director of Softbank Investment International (Strategic) Limited, vice president of Greater China Investment Banking of Deutsche Bank and assistant director of Standard Chartered (Asia) in charge of investment banking business in mainland China. Mr Wang was working for China International Trust and Investment Corporation before joining Standard Chartered Asia Limited. Mr Wang holds a master degree in Economics from Nankai University of China.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday, other than public holidays at the principal place of business and head office of the Company in Hong Kong at Unit C, 21/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong from the date of this circular up to and including 27 December 2007:–

1. the memorandum of association and bye-laws of the Company;
2. the Share Transfer Agreement;
3. all material contracts referred to in the paragraph headed “Material contracts” in this Appendix V;
4. the written consent of Cachet Certified Public Accountants Limited referred to in the paragraph headed “Expert” in this Appendix V;
5. the written consent of Vigers Appraisal & Consulting Ltd. referred to in the paragraph headed “Expert” in this Appendix V;
6. the written consent of Guangdong Guang He Law Firm referred to in the paragraph headed “Expert” in this Appendix V;
7. the accountant’s report prepared by Cachet Certified Public Accountants Limited, the text of which is set in Appendix I to this circular;
8. the comfort letter from Cachet Certified Public Accountants Limited on the unaudited pro forma financial Information of the Remaining Group, the text of which is set out in Appendix II to this circular;
9. the audited financial statements of the Company for the two financial years immediately preceding this Circular;
10. the valuation report prepared by Vigers Appraisal & Consulting Ltd.; the legal opinion issued by Guangdong Guang He Law Firm dated 29 November 2007; and
11. this circular.

NOTICE OF SPECIAL GENERAL MEETING



SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of SYSCAN Technology Holdings Limited (the “Company”) will be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Thursday, 27 December 2007 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following ordinary resolution: –

ORDINARY RESOLUTION

“**THAT** the share transfer agreement (the “Share Transfer Agreement”) dated 30 October 2007 entered into among the Company, SYSCAN Manufacturing and Rise Billion pursuant to which SYSCAN Holdings shall transfer 27,500 shares of SYSCAN Manufacturing to Rise Billion at a consideration of RMB126,500,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and **THAT** the directors of the Company be and are hereby authorized to do all such acts and things, take all steps and execute all further documents which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or implementing the transactions contemplated under the Share Transfer Agreement.”

By Order of the Board of
SYSCAN Technology Holdings Limited
Cheung Wai
Chairman

Hong Kong, 30 November 2007

Principal place of business and head office in Hong Kong:–

Unit C, 21/F,
Seabright Plaza
9–23 Shell Street
North Point, Hong Kong

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and, in the event of a poll vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which such proxy is so appointed. A proxy need not be a member of the Company, but must attend in person to represent the member.
2. In order to be valid, the form of proxy must be deposited at the principal place of business and head office of the Company in Hong Kong at Unit C, 21/F, Seabright Plaza, 9–23 Shell Street, North Point, Hong Kong together with the power or attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
3. Where there are joint holders of any share, any one of such persons may vote at the SGM either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. A form of proxy for use in connection with the SGM is enclosed. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the SGM if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.