

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
--

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

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance on the whole or any part of the contents of this circular.



TECHNOLOGY VENTURE HOLDINGS LIMITED

(宏昌科技集團有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 61)

VERY SUBSTANTIAL ACQUISITION AND VERY SUBSTANTIAL DISPOSAL

A notice convening a special general meeting of the Company to be held at Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong on Friday, 16 December 2005 at 11:00 a.m. is set out on pages 277 to 278 of this circular.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the offices of the Company’s branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I – Financial information of the Group	18
Appendix II – Accountants’ report of the Group	72
Appendix III – Financial information of Great Wall	127
Appendix IV – Pro forma financial information of the Enlarged Group	212
Appendix V – Valuation report on the property interests of the Group	244
Appendix VI – General information	271
Notice of SGM	277

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“Announcement”	the announcement issued by the Company dated 23 September 2005 regarding the Disposal
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Cash Consideration”	cash consideration for the ChinaCast Shares pursuant to the Offer, in which for each ChinaCast Share, Great Wall will offer S\$0.28 (equivalent to approximately HK\$1.29) in cash to the shareholders of ChinaCast as consideration
“ChinaCast”	ChinaCast Communication Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the SGX-ST
“ChinaCast Group”	ChinaCast and its subsidiaries
“ChinaCast Shares”	shares of US\$0.08 each in the capital of ChinaCast
“Company”	Technology Venture Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Offer
“Consideration Shares”	3,103,543 new Great Wall Shares to be allotted and issued to TVI in accordance with the terms of the Offer and the Letter of Undertaking
“Directors”	directors of the Company
“Disposal”	the disposal of Sale Shares by TVI to Great Wall pursuant to the Letter of Undertaking and the transactions contemplated thereunder including the acceptance of the Offer and the election to receive the Share Consideration

DEFINITIONS

“Enlarged Group”	the Group immediately after the Completion
“Great Wall”	Great Wall Acquisition Corporation, a company incorporated in the US the shares of which are listed on the NASDAQ OTC Bulletin Board
“Great Wall Shares”	shares of US\$0.001 each in the capital of Great Wall
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	28 November 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Undertaking”	the irrevocable letter of undertaking dated 13 September 2005 signed by TVI in relation to the Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the pre-conditional voluntary offer to be made by Great Wall to acquire the entire issued share capital of ChinaCast, further details of which are set out in the Pre-conditional Announcement
“PRC” or “China”	the People’s Republic of China
“Pre-conditional Announcement”	the announcement published by DBS Bank Ltd. for and on behalf of Great Wall dated 14 September 2005 in relation to the Offer
“Sale Shares”	66,074,441 ChinaCast Shares, representing approximately 14.96% of the issued share capital of ChinaCast
“SGM”	the special general meeting of the Company which will be held to consider and approve the Disposal
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company

DEFINITIONS

“Share Consideration”	share consideration for the ChinaCast Shares pursuant to the Offer, in which for each ChinaCast Share, Great Wall will offer 0.046970408 Great Wall Share to the shareholders of ChinaCast as consideration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TVI”	Technology Venture Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“S\$”	Singapore dollars, the lawful currency for the time being of Singapore
“US\$”	United States dollars, the lawful currency for the time being of the US
“%”	per cent.

For the purpose of this circular, unless otherwise specified, conversions of United States dollars to Hong Kong dollars, Singapore dollars into Hong Kong dollars and Renminbi into Hong Kong dollars are based on the approximate exchange rate of US\$1.00 to HK\$7.80, S\$1.00 to HK\$4.60 and RMB1.04 to HK\$1.00 respectively.

LETTER FROM THE BOARD



TECHNOLOGY VENTURE HOLDINGS LIMITED

(宏昌科技集團有限公司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 61)

Executive Directors:

Mr. Chan Tze Ngon (*Chairman*)

Mr. Wu Emmy (*Deputy chairman*)

Mr. Tang Kin Hung

Independent non-executive Directors:

Mr. Lo Siew Kiong, John, O.B.E., J.P.

Mr. Fu Yan Yan

Ms. Wang Xi Ling

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head office and principal

place of business in Hong Kong:

Room 3101

31st Floor

118 Connaught Road West

Hong Kong

30 November 2005

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
AND
VERY SUBSTANTIAL DISPOSAL**

INTRODUCTION

As at the Latest Practicable Date, the Group is interested in the Sale Shares.

Subject to the satisfaction or wavier of the pre-conditions as set out in the paragraph headed "Pre-conditions of the Offer" in the section headed "The Offer" below, Great Wall will make the Offer for all the ChinaCast Shares (including the Sale Shares held by TVI) in accordance with Rule 15 of The Singapore Code of Take-overs and Mergers and subject to the terms and conditions set out in the offer document to be issued by DBS Bank Ltd. for and on behalf of Great Wall. When Great Wall makes the Offer, an announcement in relation to the Offer will be made by DBS Bank Ltd. for an on behalf of Great Wall in Singapore.

* for identification purpose only

LETTER FROM THE BOARD

In accordance with the Letter of Undertaking, TVI has agreed to accept the Offer in respect of the Sale Shares and in particular, TVI has agreed to elect to receive the Share Consideration.

Upon the election of the Share Consideration, 3,103,543 Great Wall Shares will be allotted and issued to TVI, credited as fully paid.

The Disposal constitutes a very substantial disposal on the part of the Company under Rule 14.06 of the Listing Rules. The allotment and issue of the Consideration Shares to TVI, credited as fully paid also constitutes a very substantial acquisition on the part of the Company under Rule 14.06 of the Listing Rules. The Disposal is therefore subject to the approval of the Shareholders at the SGM.

THE OFFER

The offerer

Great Wall

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Great Wall is a third party independent of and not connected with the Company and its directors, chief executive or substantial Shareholder or any of its subsidiaries or associates of any of them.

Terms of the Offer

Subject to the satisfaction or waiver of the pre-conditions in the section headed "Pre-conditions of the Offer" below, Great Wall will make the Offer for all the ChinaCast Shares (including the Sale Shares) in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers and subject to the terms and conditions set out in the offer document to be issued by DBS Bank Ltd. for and on behalf of Great Wall.

The Offer, if made, will be on the following basis:

- (a) for each ChinaCast Share: 0.046970408 new Great Wall Share; or
- (b) S\$0.28 (equivalent to approximately HK\$1.29) in cash for each ChinaCast Share,

and so on in proportion for any other number of ChinaCast Shares.

Based on the closing price of US\$5.30 (equivalent to approximately HK\$41.34) per Great Wall Share as quoted on the NASDAQ OTC Bulletin Board on 13 September 2005, being the last trading day immediately before the Pre-conditional Announcement, the 0.046970408 Great Wall Share will be valued at approximately US\$0.2489 (equivalent to approximately HK\$1.9414).

LETTER FROM THE BOARD

Share Consideration or Cash Consideration

A ChinaCast shareholder who accepts the Offer shall have in relation to each ChinaCast Share, the right to elect to receive either the Share Consideration or the Cash Consideration but not both.

A ChinaCast shareholder who accepts the Offer and elects to receive the Share Consideration will receive, for every 1,000 ChinaCast Shares tendered in acceptance of the Offer, 46 new Great Wall Shares and a ChinaCast shareholder who accepts the Offer and elects to receive the Cash Consideration will receive, for every 1,000 ChinaCast Shares tendered in acceptance of the Offer, S\$280 (equivalent to approximately HK\$1,288) in cash.

Pre-conditions of the Offer

The making of the Offer and the posting of the formal offer document containing the terms and conditions of the Offer will be subject to, and will only take place following, the satisfaction or waiver of the following pre-conditions:

- (a) all resolutions as may be necessary or incidental to approve, implement and effect the Offer, the acquisition of any ChinaCast Shares pursuant to the Offer or otherwise, and the allotment and issue of the new Great Wall Shares pursuant to the Offer or any other acquisitions of ChinaCast Shares (including pursuant to any compulsory acquisition pursuant to Section 102(1) of the Companies Act 1981 of Bermuda (as amended)) having been passed at a general meeting of the stockholders of Great Wall (or any adjournment thereof); and
- (b) ChinaCast providing Great Wall with audited consolidated financial statements of ChinaCast prepared in accordance with U.S. generally accepted accounting principles and Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended, for at least its two most recent financial years and such other financial information as may be required to be included in any filing (or exhibit thereto) to be filed with the Securities and Exchange Commission in Singapore in connection with the Offer by 30 September 2005.

As at the Latest Practicable Date, none of the above pre-conditions have been satisfied. If the pre-conditions are not satisfied on or before 25 March 2006 or such later date as Great Wall may determine in consultation with the Securities Industry Council (the regulatory body on The Singapore Code of Take-overs and Mergers in Singapore), the Offer will not be made.

Subject to the passing of an ordinary resolution of the shareholders of Great Wall at an extraordinary general meeting to approve the Offer and the issue and allotment of the Consideration Shares, which is expected to be on or before 25 March 2006, and fulfillment or waiver of the other pre-conditions, DBS Bank Ltd., on behalf of Great Wall, will announce firm intention to make the Offer and the offer documents of the Offer will be sent to all existing ChinaCast shareholders.

LETTER FROM THE BOARD

In the event that DBS Bank Ltd. makes an announcement on the firm intention to make the Offer, further announcement will be made by the Company.

LETTER OF UNDERTAKING

Date

13 September 2005

Parties

TVI, a wholly-owned subsidiary of the Company, in favour of Great Wall.

The undertaking

The Letter of Undertaking is legally binding. Under the Letter of Undertaking, TVI has agreed:

- (a) to accept the Offer in respect of the Sale Shares held by it, not later than 5:00 p.m. (Singapore time) on the date falling seven business days after the date of despatch of the offer document in respect of the Offer;
- (b) to elect to receive the Share Consideration in connection thereto; and
- (c) not to sell, transfer, assign or otherwise dispose of any part of the Consideration Shares received by it pursuant to the acceptance of the Offer in a manner that would violate the Securities and Exchange Commission rules and regulations in Singapore.

There is no other restriction imposed on the subsequent sale of the Great Wall Shares to be held by TVI pursuant to the Letter of Undertaking.

For further details of the Offer, please refer to the section headed "The Offer" above.

Sale Shares

66,074,441 ChinaCast Shares, representing approximately 14.96% of the issued share capital of ChinaCast, being all of the Company's interests in the ChinaCast Shares, to be tendered to Great Wall under the Offer pursuant to the terms of the Letter of Undertaking.

Consideration

The consideration for the transfer of the Sale Shares will be satisfied in full by the allotment and issue of 3,103,543 Great Wall Shares by Great Wall to TVI, credited as fully paid.

LETTER FROM THE BOARD

Based on the closing price of S\$0.255 (equivalent to approximately HK\$1.1730) per ChinaCast Share as quoted on the SGX-ST on 13 September 2005, being the last trading day immediately before the date of the Letter of Undertaking, the Sale Shares (being of the consideration for the Consideration Shares), will be valued at approximately S\$16,849,000 (equivalent to approximately HK\$77,505,000).

Based on the closing price of US\$5.30 (equivalent to approximately HK\$41.34) per Great Wall Share as quoted on the NASDAQ OTC Bulletin Board on 13 September 2005, being the last trading day immediately before the date of the Letter of Undertaking, the Consideration Shares (being the consideration for the Sale Shares) to be allotted and issued, credited as fully paid, to TVI, will be valued at approximately US\$16,459,000 (equivalent to approximately HK\$128,380,000). The Consideration Shares will represent approximately 11.81% of the enlarged issued share capital of Great Wall assuming all of the shareholders of ChinaCast elect to receive the Great Wall Shares. The Consideration Shares shall be allotted and issued credited as fully paid and shall form part of and rank pari passu in all aspects among themselves and with all of the Great Wall Shares in issue as at the date of Completion.

The Share Consideration, based on Great Wall closing stock price of US\$5.30 (equivalent to approximately HK\$41.34) on 13 September 2005, values each of the ChinaCast Share at approximately S\$0.4185 (equivalent to approximately HK\$1.9251), which represents:

- (a) a premium of approximately 64.11% over the last transacted price of S\$0.255 (equivalent to approximately HK\$1.1730) per ChinaCast Share as quoted on the SGX-ST on 13 September 2005, being the last trading date prior to the Pre-conditional Announcement;
- (b) a premium of approximately 68.48% over the volume weighted average prices of ChinaCast Shares on the SGX-ST of S\$0.2484 (equivalent to approximately HK\$1.1426) over the last one month prior to but including 13 September 2005, being the last trading date prior to the Pre-conditional Announcement;
- (c) a premium of approximately 75.06% over the volume weighted average prices of ChinaCast Shares on the SGX-ST of S\$0.2390 (equivalent to approximately HK\$1.0994) over the last six months prior to but including 13 September 2005, being the last trading date prior to the Pre-conditional Announcement;
- (d) a premium of approximately 67.40% over the net tangible asset value of approximately RMB1.19 (equivalent to approximately HK\$1.15) per ChinaCast Share based on ChinaCast's net tangible assets as at 31 December 2004 of approximately RMB526.6 million (equivalent to approximately HK\$506.3 million) as shown in ChinaCast's audited consolidated financial statements made up to 31 December 2004; and

LETTER FROM THE BOARD

- (e) a premium of approximately 61.77% over the net tangible asset value of approximately RMB1.24 (equivalent to approximately HK\$1.19) per ChinaCast Share based on ChinaCast's net tangible assets as at 30 June 2005 of approximately RMB550.1 million (equivalent to approximately HK\$528.9 million) as shown in ChinaCast's unaudited consolidated financial statements made up to 30 June 2005.

The Cash Consideration of S\$0.28 (equivalent to approximately HK\$1.29) for each ChinaCast Share represents:

- (a) a premium of approximately 9.80% over the last transacted price of S\$0.255 (equivalent to approximately HK\$1.1730) per ChinaCast Share on the SGX-ST on 13 September 2005, being the last trading date prior to the Pre-conditional Announcement;
- (b) a premium of approximately 12.73% over the volume weighted average prices of ChinaCast Shares on the SGX-ST of S\$0.2484 (equivalent to approximately HK\$1.1426) over the last one month prior to but including 13 September 2005, being the last trading date prior to the Pre-conditional Announcement;
- (c) a premium of approximately 17.13% over the volume weighted average prices of ChinaCast Shares on the SGX-ST of S\$0.2390 (equivalent to approximately HK\$1.0994) over the last six months prior to but including 13 September 2005, being the last trading date prior to the Pre-conditional Announcement;
- (d) a premium of approximately 12.17% over the net tangible asset value of approximately RMB1.19 (equivalent to approximately HK\$1.15) per ChinaCast Share based on ChinaCast's net tangible assets as at 31 December 2004 of approximately RMB526.6 million (equivalent to approximately HK\$506.3 million) as shown in ChinaCast's unaudited consolidated financial statements made up to 31 December 2004; and
- (e) a premium of approximately 8.40% over the net tangible asset value of approximately RMB1.24 (equivalent to approximately HK\$1.19) per ChinaCast Share based on ChinaCast's net tangible assets as at 30 June 2005 of approximately RMB550.1 million (equivalent to approximately HK\$528.9 million) as shown in ChinaCast's unaudited consolidated financial statements made up to 30 June 2005.

The terms of the Offer were decided by Great Wall at its sole discretion. With reference to (i) the prevailing market price of the Great Wall Shares and the ChinaCast Shares; and (ii) the Share Consideration representing a premium of approximately 64.11%, 68.48% and 75.06% over the last transacted price of ChinaCast Share as quoted on the SGX-ST on the last trading date prior to the Pre-conditional Announcement, the volume weighted average prices of ChinaCast Shares over the last one month prior to the date of the Pre-conditional Announcement and the volume weighted average prices of ChinaCast Shares over the last six months prior to the date of the Pre-conditional Announcement respectively, the Directors

LETTER FROM THE BOARD

(including the independent non-executive Directors) consider that the terms of the Offer and the Letter of Undertaking to be fair and reasonable and that the Disposal is in the interests of the Shareholders as a whole.

Condition

The Letter of Undertaking and the transactions contemplated thereunder including the acceptance of the Offer and the election to receive the Share Consideration will be conditional on the passing of an ordinary resolution of the Shareholders at a special general meeting of the Company to be held to approve the Letter of Undertaking and the transactions contemplated thereunder including the acceptance of the Offer and the election to receive the Share Consideration in accordance with the Listing Rules.

The Group has no current intention to nominate a nominee to be appointed as a director of Great Wall upon Completion.

The aggregate of the remuneration payable to and the benefits in kind receivable by the Directors will not be varied in consequence of the Disposal.

INFORMATION ON GREAT WALL

Great Wall is principally engaged in effecting mergers, capital stock exchanges, asset acquisitions or other similar business combination with a company having its primary operation in the PRC. Although the prospective target business of Great Wall is not limited to a particular industry, Great Wall initially intend to focus its search on target businesses in the PRC that are engaged in the technology, media or telecommunications industries. According to the unaudited financial statements of Great Wall for the six months ended 30 June 2005, the investment portfolio of Great Wall only included investment in treasury bills of approximately US\$23,364,000 (equivalent to approximately HK\$182,239,000).

According to the audited financial statements of Great Wall for the year ended 31 December 2003, Great Wall had no turnover and the net loss before and after taxation and extraordinary items of Great Wall were approximately US\$1,000 (equivalent to approximately HK\$8,000).

According to the audited financial statements of Great Wall for the year ended 31 December 2003, the principal asset of Great Wall was cash of approximately US\$18,000 (equivalent to approximately HK\$140,000) and the principal liability of Great Wall was notes payable, stockholders of approximately US\$35,000 (equivalent to approximately HK\$273,000) respectively.

As at 31 December 2003, the audited total assets of Great Wall was approximately US\$70,000 (equivalent to approximately HK\$546,000) and the audited total liabilities of Great Wall was approximately US\$46,000 (equivalent to approximately HK\$359,000). The audited net asset value of Great Wall was approximately US\$24,000 (equivalent to approximately HK\$187,200) as at 31 December 2003.

LETTER FROM THE BOARD

According to the audited financial statements of Great Wall for the year ended 31 December 2004, Great Wall had no turnover and the net loss before and after taxation and extraordinary items of Great Wall were approximately US\$142,000 (equivalent to approximately HK\$1,108,000).

As at 31 December 2004, the principal assets of Great Wall were investment in treasury bills and cash of approximately US\$23,364,000 (equivalent to approximately HK\$182,239,000) and approximately US\$689,000 (equivalent to approximately HK\$5,374,000) respectively. The principal liabilities of Great Wall were accrued expenses and income taxes payable of approximately US\$81,000 (equivalent to approximately HK\$632,000) and approximately US\$67,000 (equivalent to approximately HK\$523,000) respectively.

As at 31 December 2004, the audited total assets of Great Wall was approximately US\$24,057,000 (equivalent to approximately HK\$187,645,000) and the audited total liabilities of Great Wall was approximately US\$189,000 (equivalent to approximately HK\$1,474,000). The audited net asset value of Great Wall was approximately US\$23,868,000 (equivalent to approximately HK\$186,170,000) as at 31 December 2004.

The shareholding structure of Great Wall immediately after Completion (assuming all of the shareholders of ChinaCast have elected for the Share Consideration) and immediately after Completion (assuming all of the shareholders of ChinaCast have elected

LETTER FROM THE BOARD

for the Share Consideration and all of the 9,031,950 outstanding warrants of Great Wall are exercised) are as follows:

Name of Shareholders of Great Wall	At the		Immediately after		Immediately after	
	Latest Practicable Date		Completion assuming		Completion assuming	
	and immediately		all of the shareholders of		all of the shareholders	
	before Completion		the Share Consideration		of Great Wall	
	<i>Great Wall</i>	<i>Approximate</i>	<i>Great Wall</i>	<i>Approximate</i>	<i>Great Wall</i>	<i>Approximate</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Kin Shing Li	430,000	7.80%	430,000	1.64%	430,000	1.22%
Justin Tang	430,000	7.80%	430,000	1.64%	430,000	1.22%
Jack Silver	300,000	5.44%	300,000	1.14%	300,000	0.85%
Sapling LLC	299,000	5.42%	299,000	1.14%	299,000	0.85%
Super Dynamic Consultancy Limited	–	–	3,162,368	12.04%	3,162,368	8.96%
TVI	–	–	3,103,543	11.81%	3,103,543	8.79%
Hughes Network System, Inc	–	–	2,957,573	11.26%	2,957,573	8.38%
Intel Pacific Inc	–	–	1,043,819	3.97%	1,043,819	2.96%
Cyber Smart Trading Limited	–	–	1,053,928	4.01%	1,053,928	2.99%
Other shareholders	4,056,975	73.54%	13,488,045	51.35%	22,519,995	63.78%
Total	<u>5,515,975</u>	<u>100.00%</u>	<u>26,268,276</u>	<u>100.00%</u>	<u>35,300,226</u>	<u>100.00%</u>

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the shareholders of Great Wall are third parties independent of and not connected with the Company and its directors, chief executive or substantial Shareholder or any of its subsidiaries or associates of any of them.

LETTER FROM THE BOARD

INFORMATION ON CHINACAST

ChinaCast is a company incorporated in Bermuda with limited liability and together with its subsidiaries is principally engaged in the provision of technology services in the satellite communication industry. As ChinaCast was incorporated on 20 November 2003, no audited financial statements of ChinaCast for the year ended 31 December 2003 are available and the figures in the financial statements of ChinaCast will not be indicative of the financial position of ChinaCast Group for the year ended 31 December 2003. Hence, the figures of the pro-forma financial statements of ChinaCast Group for the year ended 31 December 2003 are provided below.

According to the proforma financial statements of ChinaCast Group for the year ended 31 December 2003, ChinaCast Group had a turnover of approximately RMB76,587,000 (equivalent to approximately HK\$73,641,000) and the net profit before and after taxation and extraordinary items of ChinaCast Group were approximately RMB44,084,000 (equivalent to approximately HK\$42,388,000) and RMB31,473,000 (equivalent to approximately HK\$30,263,000) respectively.

As at 31 December 2003, the principal assets of ChinaCast Group were amount due from related parties and cash of approximately RMB130,837,000 (equivalent to approximately HK\$125,805,000) and approximately RMB110,673,000 (equivalent to approximately HK\$106,416,000) respectively. The principal liabilities of ChinaCast were income tax payable and amount due to related parties of approximately RMB23,351,000 (equivalent to approximately HK\$22,453,000) and approximately RMB14,095,000 (equivalent to approximately HK\$13,553,000) respectively.

As at 31 December 2003, the audited total assets of ChinaCast Group were approximately RMB291,724,000 (equivalent to approximately HK\$280,504,000) and the audited total liabilities of ChinaCast Group were approximately RMB58,627,000 (equivalent to approximately HK\$56,372,000). The net asset value of ChinaCast Group were RMB233,097,000 (equivalent to approximately HK\$224,131,000) as at 31 December 2003.

According to the audited consolidated financial statements of ChinaCast for the year ended 31 December 2004, ChinaCast had a turnover of approximately RMB50,488,000 (equivalent to approximately HK\$48,546,000) and the net profit before and after taxation and extraordinary items of ChinaCast were approximately RMB34,839,000 (equivalent to approximately HK\$33,499,000) and RMB28,707,000 (equivalent to approximately HK\$27,603,000) respectively.

As at 31 December 2004, the principal assets of ChinaCast were cash and bank balances and amount due from related parties of approximately RMB328,718,000 (equivalent to approximately HK\$316,075,000) and approximately RMB178,000,000 (equivalent to approximately HK\$171,000,000) respectively. The principal liability of ChinaCast was income tax payable of approximately RMB35,392,000 (equivalent to approximately HK\$34,031,000).

LETTER FROM THE BOARD

As at 31 December 2004, the audited total assets of ChinaCast were approximately RMB564,877,000 (equivalent to approximately HK\$543,151,000) and the audited total liabilities of ChinaCast were approximately RMB38,237,000 (equivalent to approximately HK\$36,766,000). The net asset value of ChinaCast was RMB526,640,000 (equivalent to approximately HK\$506,385,000) as at 31 December 2004.

The shareholding structure of ChinaCast as at the Latest Practicable Date and immediately after Completion (assuming all of the shareholders of ChinaCast have elected for the Share Consideration) are as follows:

Name of shareholders of ChinaCast	At the Latest Practicable Date and immediately before Completion		Immediately after Completion assuming all of the shareholders of ChinaCast have elected for the Share Consideration	
	<i>ChinaCast</i>	<i>Approximate</i>	<i>ChinaCast</i>	<i>Approximate</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Super Dynamic Consultancy Limited	67,326,820	15.24%	–	–
TVI	66,074,441	14.96%	–	–
Intel Pacific Inc	45,656,669	10.33%	–	–
Hughes Network System, Inc	62,966,736	14.25%	–	–
Cyber Smart Trading Limited	22,438,121	5.08%	–	–
Great Wall	177,353,714	40.14%	441,816,501	100.00%
Total	<u>441,816,501</u>	<u>100.00%</u>	<u>441,816,501</u>	<u>100.00%</u>

REASONS FOR THE DISPOSAL

The Group is principally engaged in the provision of systems integration, software development, engineering, maintenance and professional outsourcing services and software solutions.

According to the audited consolidated financial statements of the Group for the year ended 31 December 2003 and 31 December 2004, the turnover of the Group was approximately HK\$261,692,000 and HK\$237,841,000 respectively, the net loss before taxation of the Group was approximately HK\$15,734,000 and HK\$29,755,000 respectively and the net loss after taxation of the Group was approximately HK\$13,760,000 and HK\$29,930,000 respectively.

LETTER FROM THE BOARD

Upon the signing of the Letter of Undertaking, the Group will be required to accept the Share Consideration. If the Group does not accept the Share Consideration or chooses to accept the Cash Consideration, the Offer will not proceed to Completion. If the Group chooses to accept the Cash Consideration, the consideration will amount to approximately S\$18,500,000 (equivalent to approximately HK\$85,104,000).

As more than 50% of the shareholders of ChinaCast have signed undertakings to elect the Share Consideration, Great Wall will hold more than 50% of the share capital of ChinaCast upon Completion. As such, ChinaCast will become a subsidiary of Great Wall and the results of ChinaCast will be consolidated into the accounts of Great Wall.

Upon Completion, the Group will not hold any ChinaCast Shares, ChinaCast will become a subsidiary of Great Wall and the Group will be interested in the shares of a company listed on the NASDAQ OTC Bulletin Board instead of the SGX-ST. The Directors are of the view that the shares listed on NASDAQ OTC Bulletin Board will have further coverage and recognition from industry analysts and large institutional investors, as well as an increased trading liquidity of shares. As such, the Directors consider that the shares listed on NASDAQ OTC Bulletin Board will generate more interests from the global investors and will have more potential for an increase in value.

FINANCIAL EFFECT OF THE DISPOSAL

Assuming the share price of Great Wall remains at US\$5.30 (equivalent to approximately HK\$41.34) at Completion and a total of 3,103,543 Great Wall Shares will be issued as consideration of the Disposal, the total consideration receivable by the Group will be US\$16,459,000 (equivalent to approximately HK\$128,300,000). After deducting the unaudited book value of the Sale Shares as at 30 June 2005 of approximately HK\$66,997,000 from the consideration receivable, the gain on disposal to be recorded by the Group for the year ending 31 December 2005 will be HK\$61,304,000. This amount will be reflected in the consolidated financial statements of the Company for the year ending 31 December 2005. The net asset position and earnings of the Group will be increased by the amount of the gain on disposal of HK\$61,304,000.

LISTING RULES IMPLICATION

The Disposal constitutes a very substantial disposal on the part of the Company under Rule 14.06 of the Listing Rules. The allotment and issue of the Consideration Shares to TVI, credited as fully paid also constitutes a very substantial acquisition on the part of the Company under Rule 14.06 of the Listing Rules. The Disposal is therefore subject to the approval of the Shareholders at the SGM. The Directors are not aware of any Shareholders who are interested in the Disposal and are required to abstain from voting at the SGM.

SGM

A notice convening the SGM to be held at Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong on Friday, 16 December 2005 at 11:00 a.m. is set out on pages 277 to 278 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and 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 in person at the SGM or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to bye-law 73 of the bye-laws of the Company, a resolution put to the vote at any general meeting shall be determined by 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:

- (i) by the chairman of such meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised 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 the shares conferring that right.

According to bye-law 74 of the bye-laws of the Company, unless a poll is demanded and not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect made in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board
Technology Venture Holdings Limited
Chan Tze Ngon
Chairman

(A) SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated profit and loss accounts and the assets and liabilities of the Group for each of the three years ended 31 December 2004.

	Year ended 31 December		
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
RESULTS			
TURNOVER			
Continuing operations	237,841	261,692	188,784
Discontinued operations	—	—	155,084
	<u>237,841</u>	<u>261,692</u>	<u>343,868</u>
Cost of sales	<u>(210,676)</u>	<u>(225,408)</u>	<u>(261,433)</u>
Gross profit	<u>27,165</u>	<u>36,284</u>	<u>82,435</u>
LOSS FROM OPERATION	<u>(29,232)</u>	<u>(15,009)</u>	<u>(133,886)</u>
Finance costs	<u>(523)</u>	<u>(725)</u>	<u>(1,294)</u>
Loss on disposal of subsidiaries relating to discontinued operations	—	—	(119,309)
LOSS BEFORE TAX			
Continuing operations	(29,755)	(15,734)	(35,317)
Discontinued operations	—	—	(99,863)
	<u>(29,755)</u>	<u>(15,734)</u>	<u>(135,180)</u>
Tax			
Continuing operations	(175)	1,974	(10)
Discontinued operations	—	—	(4,055)
	<u>(175)</u>	<u>1,974</u>	<u>(4,065)</u>
LOSS BEFORE MINORITY INTERESTS	<u>(29,930)</u>	<u>(13,760)</u>	<u>(139,245)</u>
Minority interests	<u>3,077</u>	<u>(1,622)</u>	<u>(8,624)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(26,853)</u>	<u>(15,382)</u>	<u>(147,869)</u>
LOSS PER SHARE			
Basic	<u>HK\$0.05</u>	<u>HK\$0.03</u>	<u>HK\$0.33</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
ASSETS AND LIABILITIES			
Total assets	325,450	371,276	323,036
Total liabilities	<u>(190,306)</u>	<u>(206,572)</u>	<u>(144,585)</u>
	<u>135,144</u>	<u>164,704</u>	<u>178,451</u>
Minority interests	<u>(4,454)</u>	<u>(7,531)</u>	<u>(5,909)</u>
Shareholders' funds	<u>130,690</u>	<u>157,173</u>	<u>172,542</u>

(B) AUDITED FINANCIAL STATEMENTS

The following is an extract of the audited financial statements of the Group from the annual reports of the Company for the year ended 31 December 2004.

Consolidated Profit and Loss Account

	<i>Notes</i>	Year ended 31 December	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	5	237,841	261,692
Cost of sales		<u>(210,676)</u>	<u>(225,408)</u>
Gross profit		27,165	36,284
Other income	5	1,816	1,789
Selling and distribution expenses		(11,627)	(9,693)
Administrative expenses		(37,118)	(34,827)
Other operating expenses		<u>(9,468)</u>	<u>(8,562)</u>
LOSS FROM OPERATING ACTIVITIES	6	(29,232)	(15,009)
Finance costs	8	<u>(523)</u>	<u>(725)</u>
LOSS BEFORE TAX		<u>(29,755)</u>	<u>(15,734)</u>
Tax	9	<u>(175)</u>	<u>1,974</u>
LOSS BEFORE MINORITY INTERESTS		(29,930)	(13,760)
Minority interests		<u>3,077</u>	<u>(1,622)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10	<u><u>(26,853)</u></u>	<u><u>(15,382)</u></u>
LOSS PER SHARE	11		
Basic		<u><u>HK\$0.05</u></u>	<u><u>HK\$0.03</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Consolidated Balance Sheet

		At 31 December	
		2004	2003
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	4,601	5,657
Deferred development costs	13	1,387	2,266
Interest in a jointly-controlled entity	16	104	–
Long term investment	17	66,681	66,681
Deposits	18	14,151	15,653
		<u>86,924</u>	<u>90,257</u>
CURRENT ASSETS			
Inventories	19	28,197	20,724
Accounts and bills receivable	20	52,267	69,364
Prepayments, deposits and other receivables	21	50,019	74,089
Due from investee companies	17	23,045	8,539
Pledged time deposits	22	5,141	16,470
Cash and cash equivalents	22	79,857	91,833
		<u>238,526</u>	<u>281,019</u>
CURRENT LIABILITIES			
Accounts and bills payable	23	52,304	58,415
Tax payable		11,670	11,489
Accrued liabilities and other payables	24	79,953	96,277
Interest-bearing bank and other loans	25	45,617	39,339
Current portion of finance lease payables	26	275	315
		<u>189,819</u>	<u>205,835</u>
NET CURRENT ASSETS		<u>48,707</u>	<u>75,184</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		At 31 December	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		135,631	165,441
NON-CURRENT LIABILITIES			
Finance lease payables	26	254	504
Deferred tax	27	233	233
		<u>487</u>	<u>737</u>
MINORITY INTERESTS		<u>4,454</u>	<u>7,531</u>
		<u>130,690</u>	<u>157,173</u>
CAPITAL AND RESERVES			
Issued capital	28	50,273	50,121
Reserves	30(a)	80,417	107,052
		<u>130,690</u>	<u>157,173</u>

Consolidated Statement of Changes in Equity*Year ended 31 December 2004*

	Reserves (note 30(a))							
	Issued capital <i>HK\$'000</i> <i>(note 28)</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	50,121	341,071	(19)	(43,248)	51	(175,434)	122,421	172,542
Exchange realignment and net gains not recognised in the profit and loss account	-	-	-	-	13	-	13	13
Net loss for the year	-	-	-	-	-	(15,382)	(15,382)	(15,382)
At 31 December 2003 and 1 January 2004	50,121	341,071	(19)	(43,248)	64	(190,816)	107,052	157,173
Exchange realignment and net gains not recognised in the profit and loss account	-	-	-	-	15	-	15	15
Exercise of share options	152	203	-	-	-	-	203	355
Net loss for the year	-	-	-	-	-	(26,853)	(26,853)	(26,853)
At 31 December 2004	50,273	341,274	(19)	(43,248)	79	(217,669)	80,417	130,690

Consolidated Cash Flow Statement*Year ended 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(29,755)	(15,734)
Adjustments for:			
Interest income	5	(642)	(1,260)
Depreciation	6, 12	2,700	3,678
Amortisation of deferred development costs	6	879	370
Gain on disposal of fixed assets, net	6	–	(268)
Provision for doubtful debts		8,589	8,192
Finance costs	8	523	725
Operating loss before working capital changes		(17,706)	(4,297)
Decrease/(increase) in inventories		(7,473)	4,221
Decrease/(increase) in accounts and bills receivable		8,508	(8,434)
Decrease/(increase) in prepayments, deposits and other receivables		11,799	(24,691)
Increase/(decrease) in accounts and bills payables		(6,111)	32,143
Increase/(decrease) in accrued liabilities and other payables		(16,324)	16,426
Cash generated from/(used in) operations		(27,307)	15,368
Hong Kong profits tax refunded		153	–
Overseas profits taxes paid		(147)	(527)
Net cash inflow/(outflow) from operating activities		(27,301)	14,841
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	12	(1,644)	(2,042)
Proceeds from disposal of fixed assets		–	915
Additions to deferred development costs	13	–	(2,636)
Investment in a jointly-controlled entity	16	(104)	–
Additional investments in an investee company	17	–	(15,600)
Repayment from/(advances to) investee companies	17	(14,506)	3,900
Refund/(payment) of deposits for investment, net	18, 21	13,502	(27,653)
Proceeds from disposal of subsidiaries		–	20,000
Decrease in pledged time deposits		11,329	11,179
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		280	(34,242)
Interest received		913	989
Effect of foreign exchange rate change, net		15	–

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from investing activities		<u>9,785</u>	<u>(45,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options	29	355	–
New bank loans		45,655	43,585
Repayment of bank loans		(40,283)	(16,647)
Interest paid		(486)	(665)
Capital element of finance lease rental payments		(290)	(687)
Interest element on finance lease rental payments		<u>(37)</u>	<u>(60)</u>
Net cash inflow from financing activities		<u>4,914</u>	<u>25,526</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,602)	(4,823)
Cash and cash equivalents at beginning of year		<u>57,591</u>	<u>62,414</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>44,989</u>	<u>57,591</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	45,895	57,591
Less: Bank overdraft	25	<u>(906)</u>	<u>–</u>
		<u>44,989</u>	<u>57,591</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
Balance Sheet
At 31 December 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	12	460	862
Interests in subsidiaries	14	104,158	103,122
		<u>104,618</u>	<u>103,984</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		468	454
Due from an investee company	17	15	8,408
Pledged time deposits	22	3,000	3,000
Cash and cash equivalents	22	29	6,978
		<u>3,512</u>	<u>18,840</u>
CURRENT LIABILITIES			
Accrued liabilities and other payables	24	2,508	1,090
Interest bearing bank loans	25	856	–
Current portion of finance lease payables	26	275	315
		<u>3,639</u>	<u>1,405</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(127)</u>	<u>17,435</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		104,491	121,419
NON-CURRENT LIABILITIES			
Finance lease payables	26	254	504
		<u>104,237</u>	<u>120,915</u>
CAPITAL AND RESERVES			
Issued capital	28	50,273	50,121
Reserves	30(b)	53,964	70,794
		<u>104,237</u>	<u>120,915</u>

Notes to Financial Statements*31 December 2004***1. CORPORATE INFORMATION**

The head office and principal place of business of the Company during the year was located at 8th Floor, Tianjin Building, 167 Connaught Road West, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Group was involved in the distribution of computer hardware and software products and the provision of computer technology services. Details of the principal activities of the Company's principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year and up to the date of this report.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, hereinafter collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company 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 profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;
- (ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (iv) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's Interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of a maximum period of 10 years.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP 30 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33 ¹ / ₃ % or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	33 ¹ / ₃ %
Motor vehicles	33 ¹ / ₃ %

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leased assets

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

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, rentals receivable under the operating leases are credited to the profit and loss account 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 profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held on a continuing strategic or long-term basis, are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are available for use.

Inventories

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

Accounts receivable

The payment terms granted by the Group vary from project to project and may include cash on delivery, advance payment and credit of 30 to 90 days from different stages of the projects. Trade receivables are recognised and carried at original invoiced amount less provision for doubtful debts which are recorded when collection of the amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 sheet, 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 profit and loss account.

Income tax

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

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 interests in subsidiaries, except 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 assets 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 assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability 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 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.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheets for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the participating employees' relevant income and are charged to the profit and

loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

The Group has joined a mandatory central pension scheme operated by the PRC government for its PRC employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme. The employer contributions vest fully when they are made.

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) from the rendering of services, including fixed price service contracts, based on the stage of completion of the transaction, provided that this and the costs incurred, as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of such services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;
- (c) maintenance income, on a time proportion basis over the period of the contract;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) rental income, on a time proportion basis over the lease terms.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves 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 bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

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.

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 other business segments. Summary details of the business segments are as follows:

- (a) the banking and finance systems integration services segment engages in the provision of system integration, software development, engineering, maintenance and professional outsourcing services customised for banking and finance, telecommunications and public sector clients; and
- (b) the software solutions for banks and public sector segment concentrates on the banking, e-commerce and public sectors with a business focus on e-business operations and online marketplaces.

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Banking and finance systems integration services		Software solutions for banks and the public sector		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	78,270	111,412	159,571	150,280	-	-	237,841	261,692
Intersegment sales	-	-	820	960	(820)	(960)	-	-
Interest income	194	521	213	35	-	-	407	556
Other income	178	440	657	7	-	-	835	447
Total	<u>78,642</u>	<u>112,373</u>	<u>161,261</u>	<u>151,282</u>	<u>(820)</u>	<u>(960)</u>	<u>239,083</u>	<u>262,695</u>
Segment results	<u>(5,314)</u>	<u>(4,513)</u>	<u>(6,527)</u>	<u>3,427</u>	<u>-</u>	<u>-</u>	<u>(11,841)</u>	<u>(1,086)</u>
Unallocated interest income							235	704
Unallocated gains							339	82
Unallocated expenses							<u>(17,965)</u>	<u>(14,709)</u>
Loss from operating activities							(29,232)	(15,009)
Finance costs							<u>(523)</u>	<u>(725)</u>
Loss before tax							(29,755)	(15,734)
Tax							<u>(175)</u>	<u>1,974</u>
Loss before minority interests							(29,930)	(13,760)
Minority interests							<u>3,077</u>	<u>(1,622)</u>
Net loss from ordinary activities attributable to shareholders							<u>(26,853)</u>	<u>(15,382)</u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	Banking and finance systems integration services		Software solutions for banks and the public sector		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	278,547	228,964	111,702	134,248	(135,616)	(106,321)	254,633	256,891
Unallocated assets:								
Long term investment							66,681	66,681
Others							4,136	47,704
Total assets							<u>325,450</u>	<u>371,276</u>
Segment liabilities	(172,943)	(146,357)	(78,418)	(99,457)	135,616	106,321	(115,745)	(139,493)
Unallocated liabilities							(74,561)	(67,079)
Total liabilities							<u>(190,306)</u>	<u>(206,572)</u>
Other segment information:								
Cash and bank balances included in segment assets	44,597	43,880	35,231	40,975	–	–	79,828	84,855
Pledged time deposits included in segment assets	2,141	2,929	–	10,541	–	–	2,141	13,470
Depreciation and amortisation	1,685	2,082	1,380	1,097	–	–	3,065	3,179
Unallocated amounts							514	869
							<u>3,579</u>	<u>4,048</u>
Provision for doubtful debts	6,059	6,887	2,530	1,305	–	–	8,589	8,192
Other non-cash income/(expenses)	–	12	–	(38)	–	–	–	(26)
Unallocated amounts							–	294
							<u>–</u>	<u>268</u>
Capital expenditure	1,090	1,884	442	138	–	–	1,532	2,022
Unallocated amounts							112	280
							<u>1,644</u>	<u>2,302</u>

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:								
Sales to external customers	430	237	237,411	261,455	-	-	237,841	261,692
Intersegment sales	-	-	820	-	(820)	-	-	-
	<u>430</u>	<u>237</u>	<u>238,231</u>	<u>261,455</u>	<u>(820)</u>	<u>-</u>	<u>237,841</u>	<u>261,692</u>
Segment assets	580,657	584,855	254,564	254,064	(576,556)	(534,324)	258,665	304,595
Unallocated amounts:								
Long term investment							66,785	66,681
							<u>325,450</u>	<u>371,276</u>
Other segment information:								
Cash and bank balances included in segment assets	29	6,985	79,828	84,848	-	-	79,857	91,833
Pledged time deposits included in segment assets	3,000	3,000	2,141	13,470	-	-	5,141	16,470
Capital expenditure	<u>119</u>	<u>280</u>	<u>1,525</u>	<u>2,022</u>	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>2,302</u>

5. TURNOVER AND OTHER INCOME

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered. All significant intra-Group transactions have been eliminated on consolidation.

An analysis of turnover and other income is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Sale of goods	208,194	223,915
Provision of computer technology services	<u>29,647</u>	<u>37,777</u>
Total turnover	<u>237,841</u>	<u>261,692</u>
Interest income	642	1,260
Gross rental income	-	32
Waiver of an amount due to a minority shareholder of a subsidiary	657	-
Sundry income	<u>517</u>	<u>497</u>
Other income	<u>1,816</u>	<u>1,789</u>
	<u>239,657</u>	<u>263,481</u>

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Notes	2004 HK\$'000	2003 HK\$'000
Costs of inventories sold and services provided		210,676	225,408
Depreciation	12	2,700	3,678
Amortisation of deferred development costs	13	879	370
Minimum lease payments under operating leases in respect of land and buildings		3,140	3,586
Auditors' remuneration		1,400	1,500
Staff costs, excluding directors' remuneration (note 7):			
Salaries		30,399	26,699
Pension scheme contributions		3,917	3,499
Mandatory provident fund contributions		113	129
		<u>34,429</u>	<u>30,327</u>
Exchange loss/(gain), net		27	(12)
Gain on disposal of fixed assets, net		–	(268)
Provision for doubtful debts		<u>8,589</u>	<u>8,192</u>

The cost of inventories sold and services provided for the year ended 31 December 2004 included HK\$17,290,000 (2003: HK\$13,289,000), relating to direct staff costs. These are also included in the respective total amounts disclosed separately above for each of these types of expenses for the year.

The provision for doubtful debts and amortisation of deferred development cost for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

7. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

The remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	50
Independent non-executive directors	440	396
	<u>440</u>	<u>446</u>
Other emoluments of executive directors:		
Basic salaries, other allowances and benefits in kind	6,743	6,428
Mandatory provident fund contributions	45	36
	<u>6,788</u>	<u>6,464</u>
	<u>7,228</u>	<u>6,910</u>

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

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	5	6
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	2	1
	<u>7</u>	<u>8</u>

The five highest paid employees included three (2003: three) directors during the year, details of whose remuneration are set out above.

Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees are as follows:

	2004	2003
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	1,375	952
Mandatory provident fund contributions	24	12
	<u>1,399</u>	<u>964</u>

The remuneration of each of the non-director, highest paid employees for the year ended 31 December 2004 fell within the Nil to HK\$1,000,000 band.

During the year ended 31 December 2003, aggregate of 15,000,000 and 1,500,000 share options with an exercise price of HK\$0.233 per share were granted to three executive directors and the two non-director, highest paid employees, in respect of their services to the Group, further details of which are set out in note 29 to the financial statements. No share options were granted to the directors nor the five highest paid employees during the year ended 31 December 2004.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: Nil). During the year, no emoluments were paid by the Group to the directors or the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2003: Nil).

In the opinion of the directors of the Company, the Group had no significant obligations for long service payments to its employees pursuant to the requirements of the Hong Kong Employment Ordinance at 31 December 2004.

8. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within five years	486	665
Interest on finance leases	37	60
	<u>523</u>	<u>725</u>

9. TAX

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current:		
Elsewhere	1,415	1,764
Overprovision in prior year	(1,240)	(3,738)
	<u>175</u>	<u>(1,974)</u>
Tax charge/(credit)	<u>175</u>	<u>(1,974)</u>

No Hong Kong profits tax has been provided (2003: Nil) as the Group has no assessable profits arising in Hong Kong during the year. The statutory tax rate for Hong Kong profits tax is 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

北京先進數通信息技術有限公司 (“先進數通”), a subsidiary of the Company established in Mainland China, is exempted from Mainland China corporate income tax for three years starting from the year ended 31 December 2001, and thereafter is eligible for a 50% relief from income tax for the following three years under the Income Tax Law of Mainland China. The standard Mainland China corporate income tax rate applicable to 先進數通 is 15%. As a result of the exemptions, 先進數通 is exempted from the paying of income tax for the years ended 31 December 2001, 2002 and 2003, and will be subject to income tax at the rate of 7.5% for the year ended 31 December 2004 and the years ending 31 December 2005 and 2006. For the years ended 31 December 2003 and 2004, the statutory corporate income tax rates applicable to the other subsidiaries established and operating in the Mainland China range from 15% to 33%.

A reconciliation of the tax charge/(credit) applicable to the Group's loss before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rates, are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Loss before tax	<u>(29,755)</u>	<u>(15,734)</u>
Tax credit at the applicable rates to losses in the countries concerned	(4,603)	(2,703)
Income not subject to tax	(505)	(615)
Expenses not deductible for tax	6,559	5,829
Adjustment to opening unutilised tax losses resulting from increase in tax rate	–	(61)
Decrease in unutilised tax losses carryforward due to deregistration of subsidiaries	–	(857)
Increase in unutilised tax losses carryforward	22	171
Tax losses from previous periods utilised	<u>(58)</u>	<u>–</u>
Tax charge at the Group's effective rate	1,415	1,764
Adjustments in respect of current tax of previous year	<u>(1,240)</u>	<u>(3,738)</u>
Tax charge/(credit) at the Group's effective rate	<u>175</u>	<u>(1,974)</u>

The Group has tax losses arising in Hong Kong of HK\$3,284,000 (2003: HK\$3,320,000) that are available for offsetting against future taxable profits of the companies in which the losses 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 some time.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders of the Company dealt with in the financial statements for the year ended 31 December 2004 was HK\$17,033,000 (2003: HK\$51,141,000) (note 30(b)).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$26,853,000 (2003: HK\$15,382,000) and the weighted average of 502,434,781 (2003: 501,209,644) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2004 and 2003 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

12. FIXED ASSETS**Group**

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At beginning of year	4,000	24,473	2,512	30,985
Additions	95	1,491	58	1,644
Disposals/write-off	(448)	(1,036)	–	(1,484)
At 31 December 2004	3,647	24,928	2,570	31,145
Accumulated depreciation:				
At beginning of year	3,838	20,348	1,142	25,328
Provided during the year	139	1,946	615	2,700
Disposals/write-off	(448)	(1,036)	–	(1,484)
At 31 December 2004	3,529	21,258	1,757	26,544
Net book value:				
At 31 December 2004	118	3,670	813	4,601
At 31 December 2003	162	4,125	1,370	5,657

Company

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At beginning of year	1,627	1,023	1,295	3,945
Additions	<u>88</u>	<u>24</u>	<u>–</u>	<u>112</u>
At 31 December 2004	<u>1,715</u>	<u>1,047</u>	<u>1,295</u>	<u>4,057</u>
Accumulated depreciation:				
At beginning of year	1,560	987	536	3,083
Provided during the year	<u>54</u>	<u>28</u>	<u>432</u>	<u>514</u>
At 31 December 2004	<u>1,614</u>	<u>1,015</u>	<u>968</u>	<u>3,597</u>
Net book value:				
At 31 December 2004	<u>101</u>	<u>32</u>	<u>327</u>	<u>460</u>
At 31 December 2003	<u>67</u>	<u>36</u>	<u>759</u>	<u>862</u>

The net book value of the fixed assets of the Company and of the Group held under finance leases included in the total amount of motor vehicles at 31 December 2004 amounted to HK\$327,000 (2003: HK\$759,000).

13. DEFERRED DEVELOPMENT COSTS**Group**

	<i>HK\$'000</i>
Cost:	
At 1 January 2004 and 31 December 2004	<u>6,869</u>
Accumulated amortisation:	
At beginning of year	4,603
Provided during the year	<u>879</u>
At 31 December 2004	<u>5,482</u>
Net book value:	
At 31 December 2004	<u>1,387</u>
At 31 December 2003	<u>2,266</u>

14. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	39,631	39,631
Due from subsidiaries	331,989	331,013
Due to subsidiaries	(2,080)	(2,140)
	<hr/>	<hr/>
	369,540	368,504
Provision for impairment	(265,382)	(265,382)
	<hr/>	<hr/>
	104,158	103,122
	<hr/>	<hr/>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2004	2003	
Held directly:					
Technology Venture Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100	100	Investment holding
Held indirectly:					
Light International Holdings Limited	British Virgin Islands/ Mainland China	Ordinary US\$10,000	100	100	Provision of procurement services
Sequent China/ Hong Kong Limited	Hong Kong/ Mainland China	Ordinary HK\$10,000	100	91	Distribution of information technology products and provision of computer technology services
Technology Venture (Software) Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100	100	Investment holding
Topasia Computer Limited	Hong Kong/ Mainland China	Ordinary HK\$10,000	100	100	Distribution of information technology products and provision of computer technology services
Topsoft Limited	Hong Kong	Ordinary HK\$10,000	100	100	Distribution of information technology products and provision of computer technology services
Windsor Enterprises Limited	British Virgin Islands/ Mainland China	Ordinary US\$10,000	100	100	Provision of marketing services
Advanced Digital Technology Company Limited	British Virgin Islands/ Mainland China	Ordinary US\$1,000	55	55	Investment holding

Company	Place of incorporation/ registration/ and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2004	2003	
Advanced Digital Technology Company Limited	Hong Kong/ Mainland China	Ordinary HK\$2	55	55	Provision of systems integration services and software development
北京先進數通信息技術有限公司 (note 1)	Mainland China	Registered capital US\$3,000,000	55	55	Provision of systems integration services and software development
冠亞科技(上海)有限公司 (note 2)	Mainland China	Registered Capital US\$3,800,000 (2003: US\$2,000,000)	100	100	Distribution of information technology products and provision of computer technology services
冠亞信息科技服務(上海)有限公司 (note 3)	Mainland China	Registered Capital US\$1,000,000	100	100	Provision of system integration and maintenance services

Notes:

1. 北京先進數通信息技術有限公司 is a wholly-foreign owned enterprise established by Advanced Digital Technology Company Limited in Mainland China for a period of 15 years commencing from the date of issuance of its business licence on 31 October 2000.
2. 冠亞科技(上海)有限公司 is a wholly-foreign owned enterprise established by Topasia Computer Limited in Mainland China for a period of 20 years commencing from the date of issuance of its business licence on 29 November 2001.
3. 冠亞信息科技服務(上海)有限公司 is a wholly-foreign owned enterprise established by Topasia Computer Limited in Mainland China for a period of 20 years commencing from the date of issuance of its business licence on 28 January 2002.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. GOODWILL

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain eliminated against consolidated reserves. The amount of goodwill remained in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 January 2001, is as follows:

HK\$'000

Cost:

At beginning of year and 31 December 2004

43,248

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets, unlisted	<u>104</u>	<u>—</u>

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
北京先進一心軟件有限公司	Corporate	Mainland China	33.33	33.33	33.33	Provision of system integration services and software development

北京先進一心軟件有限公司 is an equity joint venture established by 北京先進數通信息技術有限公司 and two joint venturers in Mainland China for a period of 50 years commencing from the date of issuance of its business licence of 27 September 2004. It is accounted for as a jointly-controlled entity by virtue of the fact that neither the Group nor each of the joint venturers can exercise unilateral control over its economic activity. Since its registration, 北京先進一心軟件有限公司 has not commenced operation.

The jointly-controlled entity is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

17. LONG TERM INVESTMENT

	2004	2003
	HK\$'000	HK\$'000
Investments in securities, at cost:		
Listed outside Hong Kong	66,681	—
Unlisted	<u>—</u>	<u>66,681</u>
	<u>66,681</u>	<u>66,681</u>
Market value of listed investment at 31 December	<u>78,629</u>	<u>—</u>

The unlisted long term investment as at 31 December 2003 represented the cost of the Group's investment in a 19.9% equity interest in ChinaCast Technology (BVI) Limited ("CCT"), a company incorporated in the British Virgin Islands. CCT is an Internet access and content provider based in Hong Kong and Mainland China and is principally engaged in the provision of Internet and related services in Mainland China.

During the year ended 31 December 2003, CCT underwent a group restructuring to rationalise the structure of the group of companies including CCT (the "CCT Group"). ChinaCast Communication Holdings Limited ("CCH"), a company incorporated in Bermuda with limited liability on 20 November 2003, acted as the listing vehicle of the CCT Group. In May 2004, the shares of CCH were listed on the Singapore Exchange Securities Trading Limited (the "SGX"). At 31 December 2004, the Group's investment cost in the CCT Group amounted to HK\$66,681,000 (2003: HK\$66,681,000) and the Group's holding in the CCT Group was diluted from 19.9% to approximately 14.96% after the listing of shares of CCH on the SGX since May 2004. In the opinion of the directors, the Group has no significant influence on the CCT Group.

The amount due from the CCT Group is further analysed as follows:

	<i>Notes</i>	Group		Company	
		2004	2003	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans advanced to the CCT Group, unsecured	(a)	23,030	6,000	–	6,000
Other receivables	(b)	15	2,539	15	2,408
		<u>23,045</u>	<u>8,539</u>	<u>15</u>	<u>8,408</u>

Notes:

- (a) The loans advanced to CCT of HK\$6,000,000 as at 31 December 2003 was unsecured, interest-bearing at the Hong Kong dollar prime rate plus 2% per annum and was repaid in May 2004.

In January 2004, the Group advanced to the CCT Group an aggregate amount of RMB25,500,000 (equivalent approximately HK\$24,057,000) for their working capital purpose before the listing of CCH's shares on the SGX. The balance bore interest at the then prevailing bank borrowing rates in Mainland China and were financed by the Group's bank loans drawn down in January 2004, which were secured by pledged bank deposits of the CCT Group amounting to US\$3,300,000 (equivalent approximately HK\$25,740,000). The CCT Group repaid RMB1,000,000 to the Group during the year ended 31 December 2004 and the balance as at 31 December 2004 amounted to RMB24,500,000 (equivalent approximately HK\$23,030,000). The balance is repayable on or before 30 April 2005.

- (b) The other receivables due from the CCT Group are unsecured, interest-free and repayable on demand.

18. DEPOSITS

On 3 November 2004, the Group entered into a conditional agreement with a business associate pursuant to which the Company conditionally agreed to acquire (the "Acquisition") a 20% equity interest in Beijing Dongshi Shuangwei Education Technology Company Limited, a company registered in Mainland China, and principally engaged in the provision of postal service, for a consideration of RMB15,000,000 (equivalent approximately HK\$14,151,000). The transaction constituted a discloseable transaction under the Listing Rules, further details of which are set out in the circular of the Company dated 17 January 2005. As at 31 December 2004, the Group had already paid an aggregate amount of RMB15,000,000 (equivalent approximately HK\$14,151,000) as deposits. The Acquisition was completed in March 2005. It is accounted for as a long term investment of the Company.

Included in deposits at 31 December 2003 were deposits of HK\$15,653,000 paid by the Group for certain investment in another Mainland China company principally engaged in the provision of portal services in Mainland China. The deposits were secured by a guarantee executed by a third party as determined by the management. All of these deposits were refunded to the Group during the year.

19. INVENTORIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Information technology products held for resale	20,353	13,217
Work in progress	<u>7,844</u>	<u>7,507</u>
	<u>28,197</u>	<u>20,724</u>

None of the above inventories was carried at net realisable value at the balance sheet date (2003: Nil).

20. ACCOUNTS AND BILLS RECEIVABLE

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current to 90 days	37,143	47,754
91 days to 180 days	2,990	3,566
181 days to 365 days	5,007	2,275
Over 365 days	7,127	15,769
	<u>52,267</u>	<u>69,364</u>

Included in the Group's accounts receivable is an amount due from a minority shareholder and a related company of the Group, of which certain directors of a subsidiary of the Company are directors, of HK\$2,515,000 (2003: HK\$2,455,000) and nil (2003: HK\$3,703,000), respectively, which are repayable on credit terms similar to those offered to other customers of the Group.

As at 31 December 2004, an amount of HK\$363,000 (2003: Nil) of the Group's account receivable is pledged to secure a bank loan facility (note 25).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's prepayments, deposits and other receivables as at 31 December 2003 was an amount of HK\$12,000,000 in respect of deposits paid for an aborted investment in a company established in Mainland China which is principally engaged in the provision of software and technical support services for Internet content providers in Mainland China. The balance was fully refunded to the Group during the year ended 31 December 2004.

As at 31 December 2003, the aggregate amount of prepayments, deposits and other receivables includes an amount of HK\$29,554,000 of advances to a business associate to provide for its working capital purposes. The balances bear interests at the then prevailing bank borrowing rates in Mainland China. Part of the amount of the advances to the business associate of approximately HK\$25,755,000 was financed by the Group's bank loans (note 25), which were secured by a pledged bank deposit and a corporate guarantee of the business associate amounting to RMB27,000,000 and RMB3,000,000 (equivalent to HK\$25,472,000 and HK\$2,830,000), respectively. The balance was fully settled in September 2004.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balance	45,895	57,591	29	6,978
Pledged time deposits	5,141	16,470	3,000	3,000
Other time deposits with original maturity of more than three months when acquired	<u>33,962</u>	<u>34,242</u>	<u>–</u>	<u>–</u>
	84,998	108,303	3,029	9,978
Less: Pledged time deposits	<u>(5,141)</u>	<u>(16,470)</u>	<u>(3,000)</u>	<u>(3,000)</u>
Cash and cash equivalents	<u>79,857</u>	<u>91,833</u>	<u>29</u>	<u>6,978</u>

At the balance sheet date, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to HK\$74,719,000 (2003: HK\$80,161,000). RMB is not freely convertible into other currencies, however, under the Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. ACCOUNTS AND BILLS PAYABLE

	<i>Notes</i>	Group	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Trade and bills payable		51,372	54,224
Due to certain minority shareholders	(a)	325	1,452
Due to related companies	(b)	607	2,739
		<u>52,304</u>	<u>58,415</u>

Notes:

- (a) The amounts due to certain minority shareholders of certain subsidiaries represent trade payables, which are unsecured, interest-free and are repayable according to the terms agreed with these minority shareholders.
- (b) The amounts due to related companies, representing trade payables to certain related companies in which a director of the Company is also a director, are unsecured, interest-free and have no fixed terms of repayment.

An aged analysis of the accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current to 90 days	25,981	47,665
91 days to 180 days	187	1,217
181 days to 365 days	10,740	1,532
Over 365 days	15,396	8,001
	<u>52,304</u>	<u>58,415</u>

24. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Accrued and other liabilities	55,245	71,569	2,508	1,090
Due to a minority shareholder of a subsidiary (<i>note</i>)	24,708	24,708	–	–
	<u>79,953</u>	<u>96,277</u>	<u>2,508</u>	<u>1,090</u>

Notes:

Part of the amount due to a minority shareholder of a subsidiary of approximately HK\$13,574,000 (2003: HK\$13,574,000) represents the outstanding purchase consideration payable for the acquisition of a 55% shareholding in a subsidiary in 2000. This balance is unsecured, interest-free and is repayable on demand.

The remaining balance of approximately HK\$11,134,000 (2003: HK\$11,134,000) represents an amount advanced from the minority shareholder to provide for working capital of this subsidiary. The balance is unsecured, interest-free and repayable on demand.

25. INTEREST-BEARING BANK AND OTHER LOANS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts repayable on demand, unsecured	906	–	856	–
Bank loans repayable within one year, secured	41,981	34,811	–	–
Trust receipt loans repayable within one year, secured	1,170	4,528	–	–
Other loans repayable within one year, unsecured	1,560	–	–	–
	<u>45,617</u>	<u>39,339</u>	<u>856</u>	<u>–</u>

As at 31 December 2004, the Group's banking facilities were secured by:

- (i) corporate guarantees executed by the Company to the extent of HK\$20,000,000 (2003: HK\$20,000,000);
- (ii) the pledge of the Group's time deposits amounting to approximately HK\$5,141,000 (2003: HK\$16,470,000) (note 22);
- (iii) the pledge of the Group's accounts receivable of RMB385,000 (equivalent approximately HK\$363,000) (2003: Nil) (note 20);
- (iv) the pledge of bank deposits of the CCT Group of US\$3,300,000 (equivalent approximately HK\$25,740,000) (2003: Nil);
- (v) the pledge of certain motor vehicles and properties owned by a director and certain officers of a non-wholly subsidiary of the Company (2003: Nil); and
- (vi) unlimited personal guarantees executed by the director and certain officers of the non-wholly subsidiary of the Company (2003: Nil).

As at 31 December 2003, the Group's banking facilities were also secured by:

- (i) a corporate guarantee executed by a business associate of the Group to the extent of HK\$2,830,000; and
- (ii) the pledge of bank deposits of the Group's business associate amounting to RMB27,000,000 (equivalent approximately HK\$25,472,000).

26. FINANCE LEASE PAYABLES

The Company and the Group leased a motor vehicle for business use. This lease is classified as a finance lease and has remaining a lease term of more than two years.

At the balance sheet date, the total future minimum lease payments under finance leases were as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	311	326	311	326
In the second year	232	311	232	311
In the third to fifth years, inclusive	58	290	58	290
Total minimum finance lease payments	601	927	601	927
Future finance charges	(72)	(108)	(72)	(108)
Total net finance lease payables	529	819	529	819
Portion classified as current liabilities	(275)	(315)	(275)	(315)
Long term portion	254	504	254	504

The present value of minimum lease payments under finance leases is further analysed as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	275	315	275	315
In the second year	220	277	220	277
In the third to fifth years, inclusive	34	227	34	227
Total present value of minimum lease payments	529	819	529	819

27. DEFERRED TAX

	Group	
	2004	2003
	HK\$'000	HK\$'000
At beginning of year and 31 December	233	233

The principal components of the Group's deferred tax liabilities represented accelerated depreciation allowances.

28. SHARE CAPITAL

Shares

	2004 HK\$'000	2003 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
502,729,644 (2003: 501,209,644) ordinary shares of HK\$0.10 each	<u>50,273</u>	<u>50,121</u>

During the year, the subscription rights attaching to 1,520,000 share options were exercised at the subscription price of HK\$0.233 per share (note 29), resulting in the issue of 1,520,000 shares at HK\$0.10 each for a total cash consideration.

A summary of the above movements of the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2004	501,209,644	50,121	341,071	391,192
Share options exercised	<u>1,520,000</u>	<u>152</u>	<u>203</u>	<u>355</u>
At 31 December 2004	<u>502,729,644</u>	<u>50,273</u>	<u>341,274</u>	<u>391,547</u>

29. SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 12 June 1999 (the "Previous Scheme"), the Company granted certain options to directors and employees of the Group, including the executive directors of the Company, to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. In order to comply with the new requirements of Chapter 17 of the Listing Rules on granting options under share option schemes, which took effect from 1 September 2001, the Previous Scheme was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to the ordinary resolutions passed by the shareholders at the annual general meeting of the Company held on 30 May 2003. Accordingly, no further options can be granted under the Previous Scheme as from 30 May 2003. However, for the options remaining outstanding under the Previous Scheme, the existing rights of the grantees are not affected.

Pursuant to the Previous Scheme, the subscription price is equal to the higher of the nominal value of the shares of the Company or 80% of the average of the closing prices per share of the Company quoted on the Stock Exchange for the five trading days immediately preceding the date of grant of the share options. The maximum number of shares in respect of which options were able to be granted under the Previous Scheme could not exceed 10% of the issued share capital of the Company from time to time.

Pursuant to the New Scheme, the Company may grant options to eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A summary of the New Scheme is as follows:

- | | |
|-------------|---|
| (a) Purpose | – To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contribution to the Group. |
|-------------|---|

- | | | | |
|-----|--|---|---|
| (b) | Eligible Participants | – | Being employees or executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and suppliers, consultants and advisers who will or have provided services to the Group. |
| (c) | Total number of shares available for issue under the New Scheme | – | The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme may not exceed 30% of the shares of the Company in issue. |
| (d) | Maximum entitlement of each Eligible Participant | – | The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant may not exceed 1% of the number of shares of the Company in issued at the date of grant. |
| (e) | Period under which the shares must be taken up under an option | – | The period during which the options may be exercised is determined by the board of directors of the Company at its absolute discretion, save that no option may be exercised after more than 10 years from the date of adoption of the New Scheme, subject to early termination of the New Scheme. |
| (f) | Minimum period for which an option must be held before it can be exercised | – | There is no minimum period for which an option must be held before it can be exercised. |
| (g) | Basis of determining the exercise price | – | The exercise price must be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. |
| (h) | Remaining life of the New Scheme | – | The New Scheme remains in force until 29 May 2012 unless otherwise terminated in accordance with the terms stipulated therein. |
| (i) | Period within which payments/calls/loans must be made/repaid | – | 28 days from the date of the offer of the options. |
| (j) | Amount payable on acceptance of the option | – | HK\$1.00 |

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 1,520,000 share options exercised during the year resulted in the issue of 1,520,000 ordinary shares of the Company and new share capital of HK\$152,000 and share premium of HK\$203,000 (before issue expenses), as detailed in note 28 to the financial statements.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

At the balance sheet date, the Company had 49,855,000 (2003: 51,780,000) share options outstanding under the share option scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 49,855,000 (2003: 51,780,000) additional ordinary shares of the Company and proceeds, before relevant share issue expenses, of HK\$14,750,000 (2003: HK\$15,198,000).

The following share options were outstanding under the share option scheme during the year:

Grantee	Number of share options			At 31 December 2004	Date of grant *	Share price of the Company at grant date **	Exercise price ***	Exercise period of share options
	At 1 January 2004	Exercised during the year	Cancelled during the year					
Directors								
Mr. Wu Emmy	5,000,000	-	-	5,000,000	27 November 2003	HK\$0.23	HK\$0.233	27 November 2003 to 29 May 2012
Mr. Tang Kin Hung	5,000,000	-	-	5,000,000	27 November 2003	HK\$0.23	HK\$0.233	27 November 2003 to 29 May 2012
Former director								
Mr. Chow Siu Lam, Cliff	5,000,000	-	-	5,000,000	27 November 2003	HK\$0.23	HK\$0.233	27 November 2003 to 29 May 2012
Other employees								
In aggregate	17,560,000	(1,520,000)	(405,000)	15,635,000	27 November 2003	HK\$0.23	HK\$0.233	27 November 2003 to 29 May 2012
Business Associates								
In aggregate	1,320,000	-	-	1,320,000	21 January 2000	HK\$3.175	HK\$2.532	21 January 2001 to 20 January 2010
	500,000	-	-	500,000	27 June 2002	HK\$0.415	HK\$0.431	27 June 2003 to 29 May 2012
	17,400,000	-	-	17,400,000	27 November 2003	HK\$0.23	HK\$0.233	27 November 2003 to 29 May 2012
	<u>19,220,000</u>	<u>-</u>	<u>-</u>	<u>19,220,000</u>				
Total	<u>51,780,000</u>	<u>(1,520,000)</u>	<u>(405,000)</u>	<u>49,855,000</u>				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price of the Company's shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the options.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

30. RESERVES

(a) Group

The amounts of the Group's consolidated reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in 1999 over the nominal value of the share capital of the Company issued in exchange therefor. Certain goodwill remains eliminated against consolidated reserves, as detailed in note 15 to the financial statements.

(b) Company

<i>Note</i>	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	341,071	39,431	(258,567)	121,935
Net loss for the year	<u>–</u>	<u>–</u>	<u>(51,141)</u>	<u>(51,141)</u>
At 31 December 2003 and 1 January 2004	341,071	39,431	(309,708)	70,794
Exercise of share options (Note 29)	203	–	–	203
Net loss for the year	<u>–</u>	<u>–</u>	<u>(17,033)</u>	<u>(17,033)</u>
At 31 December 2004	<u>341,274</u>	<u>39,431</u>	<u>(326,741)</u>	<u>53,964</u>

The contributed surplus of the Company represents the excess of the combined net asset value of the subsidiaries acquired pursuant to the same reorganisation as mentioned in note 30(a) above, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is currently unable to be distributed.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

- (i) During the year ended 31 December 2004, a minority shareholder of a subsidiary waived an amount of HK\$657,000 (2003: Nil) due from that subsidiary to that minority shareholder (note 5).
- (ii) During the year ended 31 December 2003, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$260,000.
- (iii) Pursuant to an assignment agreement dated 14 April 2003, an amount of HK\$10,000,000 of consideration receivable from several purchasers in connection with the disposal of the DMX Technologies Group Limited ("DMX") and its subsidiaries (collectively the "DMX Group") was set off against the considerations payable to a minority shareholder in connection with the Group's initial acquisition of a 51% equity interest in the DMX Group.

32. COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to two and half years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Company and the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	1,958	2,466	448	458
In the second to fifth years, inclusive	476	503	322	–
	<u>2,434</u>	<u>2,969</u>	<u>770</u>	<u>458</u>

Save as aforesaid, the Company and the Group did not have any other significant commitments as at 31 December 2004.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in connection with banking facilities granted to certain subsidiaries	<u>–</u>	<u>–</u>	<u>20,000</u>	<u>20,000</u>

As at 31 December 2004, the banking facilities granted to the subsidiaries were utilised to the extent of approximately HK\$1,170,000 (2003: HK\$4,528,000).

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$890,000 as at 31 December 2003, as further explained in note 3 to the financial statements. The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

34. RELATED PARTY TRANSACTIONS

In addition to those disclosed in elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2004 HK\$'000	2003 HK\$'000
Purchases of information technology products from:		
Related companies – a company in which a director of a subsidiary of the Company is also a director	–	416
– a company in which a director of the Company is also a director	–	1,361
Advance to investee companies, in which a director of the Company is also a director (<i>note 17</i>)	23,045	8,539
Management fee income received from investee companies	124	–
Reimbursement of directors' remuneration by an investee company	756	–
Loan interest income received from investee companies	227	–
Management fee income received from a company in which a director of the Company is also a director	162	–
Proceeds on sale of fixed assets received from:		
– a company in which directors of the Company are also directors	–	100
Maintenance and consultancy fees paid to:		
– a company in which a director of the Company is also a director	364	2,123

In the opinion of the directors, the above related party transactions were entered into by the Group in the ordinary course of business and on terms agreed with the related parties. The directors of the Company consider that these transactions were made according to prices and conditions similar to those offered to other third parties.

Details of the terms of the outstanding balances with related parties and minority shareholders of certain subsidiaries at 31 December 2004 are set out in notes 17, 20, 21, 23 and 24 to the financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2005.

(C) UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

The following is an extract of the unaudited financial statements of the Group from the interim report of the Company for the six months ended 30 June 2005:

Condensed Consolidated Profit and Loss Account

		Six months ended 30 June	
		2005	2004
	<i>Notes</i>	(unaudited)	(unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	3	127,160	104,362
Cost of sales		<u>(118,714)</u>	<u>(90,535)</u>
Gross profit		8,446	13,827
Other income		913	658
Selling and distribution expenses		(4,022)	(4,440)
Administrative expenses		(17,913)	(19,839)
Other operating income		2,316	–
Other operating expenses		(439)	(241)
Impairment of goodwill		<u>(20,602)</u>	<u>–</u>
LOSS FROM OPERATIONS	5	(31,301)	(10,035)
Finance costs		<u>(526)</u>	<u>(88)</u>
LOSS BEFORE TAX		(31,827)	(10,123)
Tax	6	<u>(773)</u>	<u>153</u>
LOSS FOR THE PERIOD		<u><u>(32,600)</u></u>	<u><u>(9,970)</u></u>
ATTRIBUTABLE TO:			
Equity holders of the parent		(29,968)	(9,157)
Minority Interests		<u>(2,632)</u>	<u>(813)</u>
		<u><u>(32,600)</u></u>	<u><u>(9,970)</u></u>
DIVIDEND PER SHARE	7	<u><u>NIL</u></u>	<u><u>NIL</u></u>
LOSS PER SHARE	8		
Basic (HK cents)		<u><u>(5.96) cents</u></u>	<u><u>(1.82) cents</u></u>
Diluted (HK cents)		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Goodwill reserve	Exchange fluctuation reserve	Revaluation reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 15)								
At 1 January 2004	50,121	341,071	(19)	(43,248)	64	-	(190,816)	157,173	164,704
Exercise of share options	152	202	-	-	-	-	-	354	354
Net loss for the period	-	-	-	-	-	-	(9,157)	(9,157)	(9,970)
At 30 June 2004	50,273	341,273	(19)	(43,248)	64	-	(199,973)	148,370	155,088
Exchange realignment	-	-	-	-	15	-	-	15	15
Net gains and losses not recognised in the profit and loss account	-	-	-	-	15	-	-	15	15
Net loss for the period	-	-	-	-	-	-	(17,695)	(17,695)	(19,959)
At 31 December 2004 and 1 January 2005	50,273	341,273	(19)	(43,248)	79	-	(217,668)	130,690	135,144
Available-for-sale investments	-	-	-	-	-	316	-	316	316
Impairment of goodwill	-	-	-	20,602	-	-	-	20,602	20,602
Net loss for the period	-	-	-	-	-	-	(29,968)	(29,968)	(32,600)
At 30 June 2005	50,273	341,273	(19)	(22,646)	79	316	(247,636)	121,640	123,462

Condensed Consolidated Balance Sheet

		At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		3,991	4,601
Deferred development costs		948	1,387
Interest in a jointly-controlled entity		104	104
Available-for-sale investments	9	81,775	–
Long term investment	10	–	66,681
Deposits		–	14,151
		<u>86,818</u>	<u>86,924</u>
CURRENT ASSETS			
Inventories		21,822	28,197
Accounts receivable	11	43,879	52,267
Prepayments, deposits and other receivables		52,655	50,019
Due from an investee company		1,356	23,045
Pledged time deposits		3,138	5,141
Cash and bank balances		46,463	79,857
		<u>169,313</u>	<u>238,526</u>
CURRENT LIABILITIES			
Accounts and bills payable	12	29,848	52,304
Tax payable		11,525	11,670
Accrued liabilities and other payables		75,927	79,953
Interest-bearing and secured bank loans		14,752	45,617
Current portion of finance lease payables	14	232	275
		<u>132,284</u>	<u>189,819</u>
NET CURRENT ASSETS		<u>37,029</u>	<u>48,707</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		123,847	135,631
NON-CURRENT LIABILITIES			
Finance lease payables	14	152	254
Deferred tax		233	233
		<u>385</u>	<u>487</u>
		<u>123,462</u>	<u>135,144</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	15	50,273	50,273
Reserves	16	71,367	80,417
		<u>121,640</u>	<u>130,690</u>
MINORITY INTERESTS		<u>1,822</u>	<u>4,454</u>
		<u>123,462</u>	<u>135,144</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005 (unaudited) <i>HK\$'000</i>	2004 (unaudited) <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(24,018)	(54,223)
NET CASH INFLOW FROM INVESTING ACTIVITIES	22,159	35,342
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>(31,443)</u>	<u>10,682</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,302)	(8,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	44,989	57,591
Effect of foreign exchange rate changes, net	<u>–</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>11,687</u></u>	<u><u>49,392</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,500	44,272
Bank overdrafts, secured	(813)	(18)
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	<u>–</u>	<u>5,138</u>
	<u><u>11,687</u></u>	<u><u>49,392</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts (“Interim Accounts”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs which are effective for accounting periods commencing on or after 1 January 2005. The changes to the Group’s accounting policies and the effect of adopting these new accounting policies are set out in notes below.

Impact of adopting new/revised HKFRSs and HKASs in 2005

The major and significant effects of the adoption of the new/revised HKFRSs and HKASs on the Group’s accounting policies and amounts disclosed in the Interim Accounts are summarised as follows:

- (i) The adoption of HKAS 1 “Presentation of Financial Statement” has effected the presentation of minority interests.
- (ii) The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options and other share-based payments. Prior to this, the provision of share options and share-based payments to employees did not result in a charge to profit and loss account. Following the adoption of HKFRS 2, the fair value of share options and share-based payments at grant date are amortised over the relevant vesting periods to the profit and loss account.

However, the adoption of the HKFRS 2 has no material effect on the results for current nor prior accounting periods. Accordingly, no prior period adjustment is required.

- (iii) In prior periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provision of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. Goodwill previously eliminated against reserves remains eliminated against reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash generating unit to which the goodwill relates becomes impaired.

- (iv) In prior periods the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of 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.

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.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) 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.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the income statement.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on loss after tax for the six months ended 30 June 2005 and 2004

		For the six months ended 30 June					
		2005			2004		
Effect of new policies (Increase/(decrease))	Note	Equity holders of the parent HK\$'000	Minority interests HK\$'000	Total HK\$'000	Equity holders of the parent HK\$'000	Minority interests HK\$'000	Total HK\$'000
Effect on loss after tax:							
HKFRS 3 Impairment of goodwill	1(iii)	(20,602)	-	(20,602)	-	-	-
Effect on loss per share:							
Basic (HK cents)		(4.10)			NIL		
Diluted (HK cents)		N/A			N/A		

(b) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004

Effect of new policies (Increase/(decrease))	Note	For the six months ended 30 June					
		2005			2004		
		Equity holders of the parent HK\$'000	Minority interests HK\$'000	Total HK\$'000	Equity holders of the parent HK\$'000	Minority interests HK\$'000	Total HK\$'000
HKAS 39	1(iv)						
Available-for-sale investments		316	–	316	–	–	–

3. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and operating loss for the Group's business segments.

	Banking and finance systems integration services 2005 HK\$'000	Software solution for banks and public sector 2005 HK\$'000	Eliminations 2005 HK\$'000	Consolidated 2005 HK\$'000
Segment revenue:				
Sales to external customers	71,847	55,313	–	127,160
Intersegment sales	–	–	–	–
Interest income	376	31	–	407
Other income	387	–	–	387
Total	72,610	55,344	–	127,954
Segment results	(771)	(4,623)	–	(5,394)
Unallocated interest income				12
Unallocated gains				108
Unallocated expenses				(5,425)
Impairment of goodwill				(20,602)
Loss from operations				(31,301)

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	Banking and finance systems integration services 2004 HK\$'000	Software solution for banks and public sector 2004 HK\$'000	Eliminations 2004 HK\$'000	Consolidated 2004 HK\$'000
Segment revenue:				
Sales to external customers	42,726	61,636	–	104,362
Intersegment sales	–	726	(726)	–
Interest income	5	183	–	188
Other income	178	–	–	178
Total	<u>42,909</u>	<u>62,545</u>	<u>(726)</u>	<u>104,728</u>
Segment results	<u>898</u>	<u>(2,099)</u>	<u>–</u>	<u>(1,201)</u>
Unallocated interest income				228
Unallocated gains				64
Unallocated expenses				<u>(9,126)</u>
Loss from operations				<u>(10,035)</u>

(b) Geographical segments

The following tables present revenue and operating loss for the Group's geographical segments.

	Hong Kong 2005 HK\$'000	Elsewhere in the PRC 2005 HK\$'000	Eliminations 2005 HK\$'000	Consolidated 2005 HK\$'000
Segment revenue:				
Sales to external customers	77	127,083	–	127,160
Intersegment sales	–	–	–	–
Total	<u>77</u>	<u>127,083</u>	<u>–</u>	<u>127,160</u>
Segment results*	<u>(7,484)</u>	<u>(23,817)</u>	<u>–</u>	<u>(31,301)</u>
	Hong Kong 2004 HK\$'000	Elsewhere in the PRC 2004 HK\$'000	Eliminations 2004 HK\$'000	Consolidated 2004 HK\$'000
Segment revenue:				
Sales to external customers	418	103,944	–	104,362
Intersegment sales	–	–	–	–
Total	<u>418</u>	<u>103,944</u>	<u>–</u>	<u>104,362</u>
Segment results*	<u>(8,453)</u>	<u>(1,582)</u>	<u>–</u>	<u>(10,035)</u>

* Disclosed pursuant to the requirements of the Listing Rules

4. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Sale of information technology products to an investee company	7,728	–
Reimbursement of directors' remuneration by an investee company	304	–
Maintenance and consultancy fee paid to a company in which a director of the company is also director	112	132
Advance to an investee company	<u>1,356</u>	<u>24,030</u>

In the opinion of the directors, the above related party and connected party transactions were entered into by the Group in the ordinary course of business and on terms agreed with the minority shareholders and related companies. The directors consider that these transactions were made according to prices and conditions similar to those offered to other third parties.

5. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Cost of goods sold	118,714	90,535
Depreciation	1,185	1,355
Amortization of deferred development costs	439	439
Impairment of goodwill	20,602	–
(Write-back)/provision for bad debt	<u>(2,316)</u>	<u>241</u>

6. TAX

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong		
– overprovision in previous years	–	153
Elsewhere		
– underprovision in previous year	(615)	–
– current period	<u>(158)</u>	<u>–</u>
Tax (charge)/credit for the period	<u>(773)</u>	<u>153</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2004: NIL). Taxes on profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: NIL).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited net loss attributable to equity holders of the parent for the period of HK\$29,968,000 (2004: Loss HK\$9,157,000) and on the weighted average of 502,729,644 (2004: 502,136,677) ordinary shares in issue during the period.

Diluted loss per share amount for periods ended 30 June 2005 and 2004 have not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share.

9. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2005 (unaudited) <i>HK\$'000</i>
Equity investment, at fair value:	
– listed overseas	66,997
Unlisted equity investment, at cost	<u>14,778</u>
	<u><u>81,775</u></u>

The equity investment as at 30 June 2005 was classified as long term investment as at 31 December 2004. Pursuant to the transitional provisions of HKAS 39, the Group has reclassified it as “available-for-sale investments” with effect from 1 January 2005.

The equity investment listed overseas represented the Group’s investment in a 14.96% interest in ChinaCast Communication Holdings Limited (“CCH”), a Company listed on the Singapore Exchange Securities Trading Limited.

The Group has undertaken not to dispose or transfer any part of the shareholding in CCH for a period of twelve months commencing from the date of 14 May 2004.

The unlisted equity investment represented a 20% equity interest in Beijing Dongshi Shuangwei Education Technology Company Limited, a company registered in Mainland China, and principally engaged in the provision of portal service.

10. LONG TERM INVESTMENT

	At 30 June 2005 (unaudited) <i>HK\$'000</i>	At 31 December 2004 (audited) <i>HK\$'000</i>
Investments in securities, at cost:		
– Listed outside Hong Kong	<u>–</u>	<u>66,681</u>
Market value of listed investment	<u>–</u>	<u>78,629</u>

11. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable was as follows:

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Current to 90 days	21,105	37,143
91 days to 180 days	8,053	2,990
181 days to 365 days	11,792	5,007
Over 365 days	2,929	7,127
	<u>43,879</u>	<u>52,267</u>

The various group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. In general, the credit period does not exceed 60 days.

12. ACCOUNTS PAYABLE

The aged analysis of accounts payable was as follows:

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Current to 90 days	5,651	25,981
91 days to 180 days	2,354	187
181 days to 365 days	2,598	10,740
Over 365 days	19,245	15,396
	<u>29,848</u>	<u>52,304</u>

13. BANKING FACILITIES

(a) As at 30 June 2005, the Group's banking facilities were secured by:

- (i) corporate guarantees executed by the Company to the extent of HK\$20,000,000 (As at 31 December 2004: HK\$20,000,000).
- (ii) the Group's time deposits amounting to approximately HK\$3,138,000 (As at 31 December 2004: HK\$5,141,000).
- (iii) the pledge of the Group's accounts receivable of HK\$2,977,000 (As at 31 December 2004: HK\$363,000).

(b) As at 30 June 2005, the banking facilities granted to the subsidiaries were utilised to the extent of approximately HK\$4,505,000 (As at 31 December 2004: HK\$1,170,000).

14. FINANCE LEASE PAYABLES

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Amounts payable:		
Within one year	263	311
In the second year	174	232
In the third to fifth years, inclusive	—	58
	<hr/>	<hr/>
Total minimum finance lease payments	437	601
Future finance charges	(53)	(72)
	<hr/>	<hr/>
Total net finance lease payables	384	529
Portion classified as current liabilities	(232)	(275)
	<hr/>	<hr/>
Long term portion	<u>152</u>	<u>254</u>

15. SHARE CAPITAL

Shares

	At 30 June 2005 (unaudited) HK\$'000	At 31 December 2004 (audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
502,729,644 ordinary shares of HK\$0.10 each	<u>50,273</u>	<u>50,273</u>

Share options

Under the terms of the share option scheme adopted by the Company on 12 June 1999 (“Existing Share Option Scheme”), the board of directors is authorised, on or before 11 June 2009, at its absolute discretion, to invite any employee, including any executive director of the Company or any of its subsidiaries, to take up options to subscribe for shares in the Company. The subscription price will be the higher of 80% of the average of the closing price of the Company’s shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of grant of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time which have been duly allotted and issued. The share option scheme became effective upon the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited on 6 July 1999.

On 30 May 2002, the Existing Share Option Scheme is terminated by an ordinary resolution passed. Any options granted prior to the passing of the resolution shall not be affected or prejudiced and all such options shall continue to be valid and exercisable in accordance with the terms of the Existing Share Option Scheme.

New share option scheme (“New Share Option Scheme”) is adopted by the Company on 30 May 2002. Under the terms of the New Share Option Scheme, the board of directors is authorized, on or before 29 May 2012, at its absolute discretion, to invite any employees of the Group including executive directors, non-executive directors of the Company or any of its

subsidiary, any suppliers, agent and any other persons providing research, development or other advisory, consultancy, professional or other services to the Group, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for shares in the Company. The subscription price will not be less than the higher of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price for the five business days immediately preceding the date of grant but in any event not less than the nominal value of the shares. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company at the adoption date.

On 23 May 2003, the limit on grant of options under the Share Option Schemes are refreshed.

On 30 May 2005, the limit on grant of options under the Share Option Schemes are renewed.

The movements in the number of share options to subscribe for shares in the Company during the period were as follows:

Date of grant of share options	Number of share options outstanding at 1 January 2005	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options outstanding at 30 June 2005	Exercise price	Exercise period
21 January 2000	1,320,000	–	–	1,320,000	HK\$2.532	21 January 2001 to 20 January 2010
27 June 2002	500,000	–	–	500,000	HK\$0.431	27 June 2003 to 29 May 2012
27 November 2003	48,035,000	–	1,765,000	46,270,000	HK\$0.233	27 November 2003 to 29 May 2012
	<u>49,855,000</u>	<u>–</u>	<u>1,765,000</u>	<u>48,090,000</u>		

As at 30 June 2005, the Company had 48,090,000 share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 48,090,000 new ordinary shares of HK\$0.10 each in the Company.

16. RESERVES

Included in the reserve is the goodwill of HK\$22,646,000 arising from the acquisition by the Group during the year ended 31 December 2000 of a 55% interest in a subsidiary.

17. CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2005 and 31 December 2004.

18. CONTINGENT LIABILITIES

As at 30 June 2005, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong employment Ordinance, with a maximum possible amount of HK\$502,000 (At 31 December 2004: HK\$890,000). The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

19. POST BALANCE SHEET EVENT

On 19 August 2005, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 100% of the entire issued share capital of Acacia Asia Partners Limited ("Acacia") and shareholder's loan of HK\$228,176 (RMB237,988) at the aggregate consideration of HK\$13,000,000 of which HK\$6,500,000 was satisfied by cash paid by TVI and HK\$6,500,000 was satisfied by the Company allotting and issuing 54,621,849 Shares credited as fully paid, at the price of HK\$0.119 per Share.

Acacia is a company incorporated in the British Virgin Islands with limited liability which together with its subsidiary engaged principally in investment holding and the provision of IT management, online and support services as well as Internal portal and data management service to property agencies in the PRC. The subsidiary of Acacia is situated at Room 501, 855 Chang Ning Road, Chang Ning District, Shanghai, PRC.

(B) INDEBTEDNESS STATEMENT

As at 30 September 2005, the Group had total outstanding borrowings of approximately HK\$11,598,359, comprising trust receipt loans of approximately HK\$3,334,982, secured bank overdraft of approximately HK\$1,451,601, finance lease payables of approximately HK\$270,711 and other loan of approximately HK\$6,500,000.

In addition, the Group had contingent liabilities in respect of bills discounted of approximately HK\$3,198,000.

The Group's banking facilities are secured by:

- (1) corporate guarantees from the Company and certain subsidiaries of the Company; and
- (2) first legal charges on fixed deposits with bank in the approximate amount of HK\$3,000,000.

Save as aforesaid and apart from intra-group liabilities, as at 30 September 2005 the Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

(C) WORKING CAPITAL STATEMENT

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the internal financial resources of the Group, the Group will have sufficient working capital to satisfy its present requirements.

(D) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead at 2005, TopAsia Computer Limited ("Top Asia") will continue to control cost, develop business, enhance profitability and improve operating performance. The segment will focus its efforts primarily on further broadening the client base for self-service products and services, enlarging the scope of services and also expanding the geographical reach. The segment will also build on its relationship with major banks, including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications to attain its 10% growth target in new customers.

TopAsia will also accelerate the development of its data integration business. It will continue to work with Ascential Software Corp. and strengthen cooperation with ETL in product research and sales, including the development of complementary software solutions to enhance market competitiveness. It will continue to team up with EMC Corporation to push sales of large capacity storage and contingency back-up systems to enterprises in the financial, securities and government sectors.

Through further leveraging on the cooperation with UTStarcom, TopAsia aims to better capitalise on business development opportunities for multi-media and telecommunication sectors, and to supply a large range of peripherals and products. A sales target of RMB50 million has been set by TopAsia for this year.

With the PRC's accession to the World Trade Organisation in late 2001 and the influx and increasing use of advanced technologies in the modern ages, the PRC economy heralded another wave of economic progression, there are great potentials in many of the business sectors especially the sector for property agencies in PRC.

Acacia Asia Partners Limited will start to review the opportunity of constructing and developing web-based software to provide an interface for property agents in managing its customer's data.

ChinaCast will step up its efforts in the insurance and banking sector as its project with Taikang Life Insurance Co., Ltd. serves as a good springboard for further inroads. Additional strategic sales opportunities in these sectors as well as in other key sectors have been identified and it is expected that an additional 2-3 major customers will be secured within the first half of 2005. ChinaCast is currently ramping up its sales, marketing and customer support staff to meet the demands of the market.

Expansion of ChinaCast's satellite network operations centre in Beijing, the PRC is in progress to pave way for the delivery of the latest DirecWay satellite hub upgrade to enable two-way broadband satellite services that are essential for growing the enterprise market in 2005.

There are no special trade risks and factors which will materially affect the Group's profit.

For the management discussion and analysis of the financial information condition and result of operation of the Group, please refer to the section headed “Management discussion and analysis of the financial information condition and result of operation of the Enlarged Group” in the Appendix IV to this circular.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Lawrence (DFK) CPA Limited.

DFK**Lawrence (DFK) CPA Limited****富勤****富勤會計師有限公司**

3/F., Hong Kong Trade Centre,
161-167, Des Voeux Road Central,
Central, Hong Kong

香港，中環，
德輔道中，161-167號，
香港貿易中心，3樓

30 November 2005

The Directors
Technology Venture Holdings Limited
Unit 1, 31st Floor
118 Connaught Road West
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Technology Venture Holdings Limited ("the Company") and of its subsidiaries (together "the Group") for each of the 3 years ended 31 December 2002, 2003 and 2004 and the 6 months ended 30 June 2005 ("the Relevant Periods") in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant".

The directors of the Company are responsible for preparation of the financial information to give a true and fair view of the results, cash flows and financial positions.

The financial statements of the Group for the years ended 31 December 2002, 2003 and 2004 were audited by Ernst & Young. We have acted as reporting accountants of the Group for the 6 months from 1 January 2005 to 30 June 2005.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2005.

The financial information set out below is based on the audited financial statements of the Group without adjustments.

For the purpose of this report, we have also reviewed the comparative financial information of the 6 months ended 30 June 2004 in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management, applying analytical procedures to the comparative financial information and assessing whether the accounting policies and presentation have been consistently applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information for the 6 months ended 30 June 2004.

Based on our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the comparative financial information for the 6 months ended 30 June 2004.

In our opinion, the financial information, for the purpose of this report and on the basis of presentation set out in Notes 2.1 and 2.2 below, gives a true and fair view of the results and cash flows of the Group for the 3 years ended 31 December 2002, 2003 and 2004 and the 6 months ended 30 June 2005 and of the financial positions of the Company and the Group as at the end of each of the above years and period reported on.

FINANCIAL INFORMATION

Consolidated Income Statements

	Notes	6 months ended 30 June		Year ended 31 December		
		2005 HK\$'000	2004 HK\$'000 (Unaudited)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Revenue	6	127,160	104,362	237,841	261,692	343,868
Cost of sales		(118,714)	(90,535)	(210,676)	(225,408)	(261,433)
Gross profit		8,446	13,827	27,165	36,284	82,435
Other incomes	6	913	658	1,816	1,789	3,159
Selling and distribution expenses		(4,022)	(4,440)	(11,627)	(9,693)	(31,631)
Administrative expenses		(17,913)	(19,839)	(37,118)	(34,827)	(56,584)
Loss on disposal of subsidiaries relating to discontinued operations		–	–	–	–	(119,309)
Other income (expenses)		1,877	(241)	(9,468)	(8,562)	(11,956)
Impairment of goodwill	21	(20,602)	–	–	–	–
Loss from operating activities	7	(31,301)	(10,035)	(29,232)	(15,009)	(133,886)
Finance costs	9	(526)	(88)	(523)	(725)	(1,294)
Loss before tax:						
Continuing operations		(31,827)	(10,123)	(29,755)	(15,734)	(35,317)
Discontinued operations		–	–	–	–	(99,863)
		(31,827)	(10,123)	(29,755)	(15,734)	(135,180)
Income tax expense	10	(773)	153	(175)	1,974	(4,065)
Loss for the period/years		<u>(32,600)</u>	<u>(9,970)</u>	<u>(29,930)</u>	<u>(13,760)</u>	<u>(139,245)</u>
Attributable to:						
– Equity holders of the parent		(29,968)	(9,157)	(26,853)	(15,382)	(147,869)
– Minority interest		(2,632)	(813)	(3,077)	1,622	8,624
		<u>(32,600)</u>	<u>(9,970)</u>	<u>(29,930)</u>	<u>(13,760)</u>	<u>(139,245)</u>
Loss per share	11					
Basic (HK\$)		<u>0.06</u>	<u>0.02</u>	<u>0.05</u>	<u>0.03</u>	<u>0.33</u>
Diluted (HK\$)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheets

		As at 30 June		As at 31 December		
		2005	2004	2004	2003	2002
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)				
Non-current assets						
Fixed assets	12	3,991	5,120	4,601	5,657	7,680
Deferred development costs	13	948	1,827	1,387	2,266	–
Interest in a jointly controlled entity	16	104	–	104	–	–
Financial assets	17	81,775	66,681	66,681	66,681	51,081
Deposits	18	–	15,128	14,151	15,653	–
		<u>86,818</u>	<u>88,756</u>	<u>86,924</u>	<u>90,257</u>	<u>58,761</u>
Current assets						
Inventories	19	21,822	20,794	28,197	20,724	24,945
Trade and bills receivable	20	43,879	88,254	52,267	69,364	69,122
Prepayments, deposits and other receivables		52,655	89,604	50,019	74,089	67,114
Financial assets	17	1,356	24,030	23,045	8,539	12,439
Pledged bank deposits	22	3,138	5,138	5,141	16,470	30,425
Cash and cash equivalents	22	46,463	44,272	79,857	91,833	60,230
		<u>169,313</u>	<u>272,092</u>	<u>238,526</u>	<u>281,019</u>	<u>264,275</u>
Total assets		<u>256,131</u>	<u>360,848</u>	<u>325,450</u>	<u>371,276</u>	<u>323,036</u>

APPENDIX II
ACCOUNTANTS' REPORT OF THE GROUP

	Notes	As at 30 June		As at 31 December		
		2005	2004	2004	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)			
Current liabilities						
Trade and bills payable	23	29,848	36,929	52,304	58,415	26,272
Tax payable		11,525	11,341	11,670	11,489	13,990
Accrued expenses and other payables	24	75,927	106,753	79,953	96,277	89,851
Bank and other borrowings	25	14,752	49,829	45,617	39,339	12,993
Current portion of obligation under finance lease	26	232	290	275	315	526
		<u>132,284</u>	<u>205,142</u>	<u>189,819</u>	<u>205,835</u>	<u>143,632</u>
Net current assets		<u>37,029</u>	<u>66,950</u>	<u>48,707</u>	<u>75,184</u>	<u>120,643</u>
Total assets less current liabilities		123,847	155,706	135,631	165,441	179,404
Non-current liabilities						
Obligation under finance lease	26	152	384	254	504	720
Deferred tax	27	233	233	233	233	233
		<u>385</u>	<u>617</u>	<u>487</u>	<u>737</u>	<u>953</u>
Net assets		<u><u>123,462</u></u>	<u><u>155,089</u></u>	<u><u>135,144</u></u>	<u><u>164,704</u></u>	<u><u>178,451</u></u>
Capital and reserves						
Issued capital	28	50,273	50,273	50,273	50,121	50,121
Reserves	30(a)	71,367	98,098	80,417	107,052	122,421
		<u>121,640</u>	<u>148,371</u>	<u>130,690</u>	<u>157,173</u>	<u>172,542</u>
Minority interest		<u>1,822</u>	<u>6,718</u>	<u>4,454</u>	<u>7,531</u>	<u>5,909</u>
Total equity		<u><u>123,462</u></u>	<u><u>155,089</u></u>	<u><u>135,144</u></u>	<u><u>164,704</u></u>	<u><u>178,451</u></u>

Group Statement of Changes in Equity

	Issued capital HK\$'000 Note 28	Reserves							Minority interest HK\$'000	Total HK\$'000
		Share		Goodwill reserve HK\$'000	Exchange		Accumu- lated losses HK\$'000	Sub-total HK\$'000		
		premium account HK\$'000	Contributed surplus HK\$'000		fluctuation reserve HK\$'000	Revaluation reserve HK\$'000				
At 1 January 2002	36,200	277,121	(19)	(40,048)	58	-	(27,565)	209,547	52,072	297,819
Exchange realignment, not recognised in the income statement	-	-	-	-	(7)	-	-	(7)	-	(7)
Additional consideration paid for acquisition of subsidiaries in previous year	-	-	-	(3,200)	-	-	-	(3,200)	-	(3,200)
New issue of shares	14,073	65,807	-	-	-	-	-	65,807	-	79,880
Share issue expenses	-	(1,648)	-	-	-	-	-	(1,648)	-	(1,648)
Share repurchase	(152)	(209)	-	-	-	-	-	(209)	-	(361)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(54,787)	(54,787)
Share of profit	-	-	-	-	-	-	-	-	8,624	8,624
Net loss for the year	-	-	-	-	-	-	(147,869)	(147,869)	-	(147,869)
At 31 December 2002	50,121	341,071	(19)	(43,248)	51	-	(175,434)	122,421	5,909	178,451

APPENDIX II

ACCOUNTANTS' REPORT OF THE GROUP

	Issued capital HK\$'000 <i>note 28</i>	Share premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Revaluation reserve HK\$'000	Accumu- lated losses HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 January 2003	50,121	341,071	(19)	(43,248)	51	-	(175,434)	122,421	5,909	178,451
Exchange realignment, not recognised in the income statement	-	-	-	-	13	-	-	13	-	13
Share of profit	-	-	-	-	-	-	-	-	1,622	1,622
Net loss for the year	-	-	-	-	-	-	(15,382)	(15,382)	-	(15,382)
At 31 December 2003	<u>50,121</u>	<u>341,071</u>	<u>(19)</u>	<u>(43,248)</u>	<u>64</u>	<u>-</u>	<u>(190,816)</u>	<u>107,052</u>	<u>7,531</u>	<u>164,704</u>
At 1 January 2004	50,121	341,071	(19)	(43,248)	64	-	(190,816)	107,052	7,531	164,704
Exchange realignment and net gains not recognised in the income statement	-	-	-	-	15	-	-	15	-	15
Exercise of share options	152	203	-	-	-	-	-	203	-	355
Share of loss	-	-	-	-	-	-	-	-	(3,077)	(3,077)
Net loss for the year	-	-	-	-	-	-	(26,853)	(26,853)	-	(26,853)
At 31 December 2004	<u>50,273</u>	<u>341,274</u>	<u>(19)</u>	<u>(43,248)</u>	<u>79</u>	<u>-</u>	<u>(217,669)</u>	<u>80,417</u>	<u>4,454</u>	<u>135,144</u>
	Issued capital HK\$'000 <i>note 28</i>	Share premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Revaluation reserve HK\$'000	Accumu- lated losses HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 January 2005	50,273	341,274	(19)	(43,248)	79	-	(217,669)	80,417	4,454	135,144
Available-for-sale investment	-	-	-	-	-	316	-	316	-	316
Impairment of goodwill	-	-	-	20,602	-	-	-	20,602	-	20,602
Share of loss	-	-	-	-	-	-	-	-	(2,632)	(2,632)
Net loss for the period	-	-	-	-	-	-	(29,968)	(29,968)	-	(29,968)
At 30 June 2005	<u>50,273</u>	<u>341,274</u>	<u>(19)</u>	<u>(22,646)</u>	<u>79</u>	<u>316</u>	<u>(247,637)</u>	<u>71,367</u>	<u>1,822</u>	<u>123,462</u>
At 1 January 2004	50,121	341,071	(19)	(43,248)	64	-	(190,816)	107,052	7,531	164,704
Exercise of share options	152	203	-	-	-	-	-	203	-	355
Share of loss	-	-	-	-	-	-	-	-	(813)	(813)
Net loss for the period	-	-	-	-	-	-	(9,157)	(9,157)	-	(9,157)
At 30 June 2004	<u>50,273</u>	<u>341,274</u>	<u>(19)</u>	<u>(43,248)</u>	<u>64</u>	<u>-</u>	<u>(199,973)</u>	<u>98,098</u>	<u>6,718</u>	<u>155,089</u>

Consolidated Cash Flow Statements

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Operating activities					
Loss before tax	(31,827)	(10,123)	(29,755)	(15,734)	(135,180)
Adjustments for					
Interest income	(327)	(416)	(642)	(1,260)	(2,110)
Depreciation	1,186	1,357	2,700	3,678	7,120
Impairment of goodwill	20,602	–	–	–	–
Amortisation of goodwill	–	–	–	–	6,174
Amortisation of deferred development costs	439	439	879	370	2,766
Loss (Gain) on disposal of fixed assets, net	3	–	–	(268)	159
Loss on disposal of subsidiaries					119,363
Provision for doubtful debts	(2,543)	109	8,589	8,192	3,016
Finance costs	526	88	523	725	1,294
Operating loss before changes in working capital	(11,941)	(8,546)	(17,706)	(4,297)	2,602
Decrease (Increase) in inventories	6,376	(70)	(7,473)	4,221	(14,619)
Decrease (Increase) in accounts and bills receivable	10,931	(18,999)	8,508	(8,434)	23,541
Decrease (Increase) in prepayments, deposits and other receivables	(2,637)	(15,516)	11,799	(24,691)	(8,703)
Increase (Decrease) in accounts and bills payables	(22,457)	(21,486)	(6,111)	32,143	(41,468)
Increase (Decrease) in accrued expenses and other payables	(4,026)	10,476	(16,324)	16,426	8,547
Cash generated from (used in) operations	(23,754)	(54,141)	(27,307)	15,368	(30,100)
Hong Kong profits tax refunded	–	153	153	–	727
Overseas profits taxes paid	(918)	(148)	(147)	(527)	(667)
Interest paid	–	–	–	–	(1,190)
Interest element on finance lease rental payments	–	–	–	–	(104)
Net cash inflow (outflow) from operating activities	<u>(24,672)</u>	<u>(54,136)</u>	<u>(27,301)</u>	<u>14,841</u>	<u>(31,334)</u>
Net cash inflow (outflow) from operating activities:					
Continuing operations	(24,672)	(54,136)	(27,301)	14,841	(1,765)
Discontinued operations	–	–	–	–	(29,569)
	<u>(24,672)</u>	<u>(54,136)</u>	<u>(27,301)</u>	<u>14,841</u>	<u>(31,334)</u>

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Investing activities					
Purchases of fixed assets	(580)	(820)	(1,644)	(2,042)	(2,886)
Proceeds from disposal of fixed assets	1	–	–	915	1,321
Additions in deferred development costs	–	–	–	(2,636)	(1,095)
Investment in a jointly-controlled entity	–	–	(104)	–	–
Net cash outflow from disposal of subsidiaries	–	–	–	–	(7,159)
Payment for acquisition of previous year	–	–	–	–	(4,930)
Additional investments in an investee company	–	–	–	(15,600)	–
Additional payment for a long-term investment	(628)	–	–	–	–
Repayment from (Advances to) investee companies	21,689	(15,491)	(14,506)	3,900	(4,110)
Refund (Payment) of deposits for investment, net	–	525	13,502	(27,653)	–
Proceeds from disposal of subsidiaries	–	–	–	20,000	–
Decrease (Increase) in pledged time deposits	2,003	16,470	11,329	11,179	(13,194)
Decrease (Increase) in non-pledged time deposits with original maturity of more than 3 months when acquired	–	34,242	280	(34,242)	–
Interest received	327	416	913	989	2,110
Effect of foreign exchange rate changes, net	–	–	15	–	–
Net cash inflow (outflow) from investing activities	<u>22,812</u>	<u>35,342</u>	<u>9,785</u>	<u>(45,190)</u>	<u>(29,943)</u>
Net cash inflow (outflow) from investing activities:					
Continuing operations	22,812	35,342	9,785	(45,190)	(25,665)
Discontinued operations	–	–	–	–	(4,278)
	<u>22,812</u>	<u>35,342</u>	<u>9,785</u>	<u>(45,190)</u>	<u>(29,943)</u>

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Financing activities					
Exercise of share options	–	355	355	–	–
New bank loans	–	48,113	45,655	43,585	–
Repayment of bank loans	(32,546)	–	(40,283)	(16,647)	(8,117)
Repayment of other loans	(1,560)	(33,113)	–	–	–
Increase in trust receipt loan	3,335	(4,528)	–	–	–
Proceeds from issue of share capital	–	–	–	–	31,800
Share issue expenses	–	–	–	–	(1,648)
Payment for repurchase of shares	–	–	–	–	(361)
Interest paid	(508)	(69)	(486)	(665)	–
Advance from a minority shareholder	–	–	–	–	2,500
Capital element of finance lease rental payments	(145)	(18)	(290)	(687)	(319)
Interest element on finance lease rental payments	(18)	(145)	(37)	(60)	–
Net cash inflow (outflow) from financing activities	(31,442)	10,595	4,914	25,526	23,855
Net cash inflow (outflow) from financing activities:					
Continuing operations	(31,442)	10,595	4,914	25,526	20,272
Discontinued operations	–	–	–	–	3,583
	(31,442)	10,595	4,914	25,526	23,855
Net decrease in cash and cash equivalents	(33,302)	(8,199)	(12,602)	(4,823)	(37,422)
Cash and cash equivalents at beginning of year	44,989	57,591	57,591	62,414	99,852
Effect of foreign exchange rate changes, net	–	–	–	–	(16)
Cash and cash equivalents at end of periods/years	11,687	49,392	44,989	57,591	62,414
Non-pledged time deposits with original maturity of less than 3 months when acquired	–	–	–	–	33,577
Time deposits with original maturity of less than 3 months when acquired pledged as security for bank overdraft facilities	–	5,138	–	–	2,776
Analysis of balance of cash and cash equivalents:					
Cash and cash balances	12,500	44,272	45,895	57,591	26,653
Less: Bank overdraft (secured)	(813)	(18)	(906)	–	(592)
	11,687	49,392	44,989	57,591	62,414

Balance Sheets - the Company

	Notes	6 months ended		Year ended 31 December		
		30 June		2004	2003	2002
		2005	2004	2004	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)			
Non-current assets						
Fixed assets	12	290	618	460	862	1,461
Interests in subsidiaries	14	97,723	103,042	104,158	103,122	148,019
		<u>98,013</u>	<u>103,660</u>	<u>104,618</u>	<u>103,984</u>	<u>149,480</u>
Current assets						
Prepayments, deposits and other receivables		559	8,403	468	454	1,144
Due from (to) an investee company		(341)	(27)	15	8,408	8,906
Pledged time deposits	22	3,000	3,000	3,000	3,000	15,030
Cash and cash equivalents	22	32	240	29	6,978	341
		<u>3,250</u>	<u>11,616</u>	<u>3,512</u>	<u>18,840</u>	<u>25,421</u>
Total assets		<u>101,263</u>	<u>115,276</u>	<u>108,130</u>	<u>122,824</u>	<u>174,901</u>
Current liabilities						
Accrued expenses and other payables	24	3,298	1,856	2,508	1,090	1,599
Bank overdraft		813	–	856	–	–
Current portion of obligation under financial lease	26	232	290	275	315	526
		<u>4,343</u>	<u>2,146</u>	<u>3,639</u>	<u>1,405</u>	<u>2,125</u>
Net current assets		<u>(1,093)</u>	<u>9,470</u>	<u>(127)</u>	<u>17,435</u>	<u>23,296</u>
Total assets less current liabilities		<u>96,920</u>	<u>113,130</u>	<u>104,491</u>	<u>121,419</u>	<u>172,776</u>
Obligation under finance lease	26	<u>152</u>	<u>384</u>	<u>254</u>	<u>504</u>	<u>720</u>
Net assets		<u>96,768</u>	<u>112,746</u>	<u>104,237</u>	<u>120,915</u>	<u>172,056</u>
Capital and reserves						
Issued capital	28	50,273	50,273	50,273	50,121	50,121
Reserves	30(b)	46,495	62,473	53,964	70,794	121,935
Total equity		<u>96,768</u>	<u>112,746</u>	<u>104,237</u>	<u>120,915</u>	<u>172,056</u>

Notes to the group financial statements

1. Principal activities and general information

Technology Venture Holdings Limited ("the Company") and its subsidiaries (together "the Group") distributes and sells computer hardware and software products and services. The Group has its operation principally in mainland China.

The Company is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, group's consolidated financial statements are presented in thousands of units of HK dollars (HK\$'000). Immaterial items are not presented.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 November 2005.

2. Significant accounting policies

The principal accounting policies applied in the compilation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years or periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving high degree of judgement or where assumptions and estimates are significant to the consolidated financial statements are noted in Note 4.

The adoption of HKFRS

In 2005, the Group adopts the standards of HKFRS below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures

HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Shares
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 24, 27, 31, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest.
- HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 24, 27, 31, 33 and 37 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the reclassification of long term investment to available-for-sale financial assets.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

There was no grant of option in 2005 and all grants made in the period between 7 November 2002 to 31 December 2004 have either vested or lapsed due to non-acceptance of the grants. Accordingly, there is no expensing of cost of share option during the period.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was eliminated against consolidated reserves and not assessed for indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3, goodwill is tested annually for impairment, as well as when there is indication of impairment, starting from 1 January 2005.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. A total of HK\$20,602,000 in impairment loss is written off resulting from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than HKFRS 3, HKASs 38 and 39.

For the 6 months ended 30 June 2005, there are the following impacts on the financial information.

The adoption of HKFRS 3 and HKAS 38 results in:

	<i>HK\$'000</i>
Decrease in goodwill	20,602
Increase in accumulated losses	20,602
Increase in basic losses per share (<i>HK\$</i>)	0.04

The adoption of HKAS 39 results in:

Increase in available-for-sale investments	316
Increase in revaluation reserve	316

Application of new standards and interpretations issued but not yet effective by the time of this report would have no significant impact on the financial information.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 *Foreign currency translation*

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operations is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 *Fixed assets*

The assets are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Leasehold improvement	33 ¹ / ₃ % or over the lease terms, whichever is lower
– Vehicles	33 ¹ / ₃ %
– Furniture, fittings and equipment	33 ¹ / ₃ %

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

An asset's carrying amount is written down immediately to its recoverable amount if the amount of the asset's carrying amount is greater than its estimated recoverable amount.

2.6 *Intangible assets*

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries before 1 January 2005 is eliminated against reserves. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Deferred development costs

Deferred development costs represent costs incurred in the development of products of the Group's brand names and are amortized on the straight-line basis over the estimated commercial lives of the underlying products not exceeding three years, commencing from the date when the products are available for use.

2.7 *Impairment of assets*

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 *Available-for-sale investments*

Investments are recognized on a trade-date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Gains and losses of available-for-sale investments arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments

classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments can be objectively related to an event occurring after the recognition of the impairment loss.

2.9 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 *Financial instruments*

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contracts in question.

Financial assets

- (a) Financial assets, trade receivables, deposits, other receivables, prepayments and amounts due from investee companies

Trade receivables, deposits, other receivables, prepayments and amounts due from investee companies are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Depending on the nature of the product / service and the background of the customer, payment term ranges from advance payment to 90-day credit.

- (b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits, and other short-term highly liquid investments (normally with maturities of 3 months or less) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

- (a) Accounts payable

Trade payables and other payable are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

- (b) Equity instruments

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

*2.11 Employee benefits**(a) Post-employment benefits*

Group companies operate various mandatory post-employment benefit schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds in Hong Kong and pertinent state organizations in mainland China. All schemes are defined contribution plans which are pension plans under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions if the funds in question do not hold sufficient assets to pay to the employees the benefits relating to their services in the current and prior periods.

The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable, at the discretion of the directors, when employment is terminated before normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognized termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(d) Profit-sharing and bonus plans

The Group provides bonus to employees at the discretion of the directors. When the bonus is declared, the Group recognizes a liability and an expense. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.12 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be minimal.

2.13 *Revenue recognition*

Revenue comprises the fair values of sales of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) Sale of goods

Sale of goods is recognized when a Group entity has delivered products to the customer, who has accepted the products and collectibility of the related receivables is reasonably assured.

Products may be sold with a right of return under individual contracts. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Provision of service

Provision of service is recognized in the accounting period in which the service is completed.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.14 *Leases*

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognized in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

2.15 *Income tax*

Income tax for the year comprises current tax and deferred tax. Current tax and movements in deferred tax liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amount used for taxation purposes (tax base).

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

Deferred tax asset is not recognised when there is uncertainty about whether sufficient taxable profit will be made in the future to allow the related tax benefit to be utilised.

3. Financial risk management

Activities of the Group expose it to a variety of financial risks. Group's management monitors on an ongoing basis the movements and trends in foreign exchanges, interest rates, inventory and product prices. Where significant, the Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the operating companies and the head offices in Hong Kong. Group management identifies, evaluates and, where necessary, hedges financial risks in co-operation with the Group's operating units.

(a) Market risk

(i) Currency risk

The Group operates principally in mainland China and is mainly exposed to foreign exchange risk arising from changes in exchange rate of the Renminbi, primarily with respect to the Hong Kong dollar.

To manage their foreign exchange risk arising from future commercial transactions, and recognized assets and liabilities, entities in the Group use forward contracts on a discretionary basis. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group has its principal investment in mainland China which, for financial reporting purpose, is treated as foreign operations, whose net assets are exposed to foreign currency transaction risk. Currency exposure arising from the net assets of the Group's foreign operations is not hedged as the currency risk is not deemed significant.

(ii) Price risk

The Group is exposed to risk of equity securities because the Group holds available-for-sale financial assets.

(b) Credit risk

The Group has no significant concentrations of credit risk. It also has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

The Group manages the risk of funding problem by maintaining sufficient cash, marketable securities and committed credit facilities during periods of low cash position.

(d) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are relatively unaffected by ordinary changes in market interest rates.

4. Important accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates significant to the Group included those relating to fair value of financial assets and liabilities, bad debts and obligation under warranties.

5. Segment information

Segment information is presented primarily by product or service and secondarily by geographical locations of customers.

Each segment represents a strategic business unit that offers products or services which are subject to risks and returns different from other segments. The Group's two segments are:

- (a) the banking and finance system integration services segment which provides system integration, software development, engineering, maintenance and professional outsourcing services for banking and finance, telecommunications and public sector clients;
- (b) the software solutions for banks and public sector segment which concentrates on the banking, e-commerce and public sectors with a business focus on e-business operations and online marketplaces.

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.

A. 2005 – first 6 months(a) **Business segments**

Revenue and operating loss for the Group's business segments.

	Banking and finance systems integration service	Software solution for banks and public sector		
	First half of 2005 HK\$'000	First half of 2005 HK\$'000	Eliminations 2005 HK\$'000	Consolidated 2005 HK\$'000
Segment revenue:				
Sales to external customers	71,847	55,313	–	127,160
Interest income	376	31	–	407
Other income	387	–	–	387
	<u>72,610</u>	<u>55,344</u>	<u>–</u>	<u>127,954</u>
Total				
	<u>72,610</u>	<u>55,344</u>	<u>–</u>	<u>127,954</u>
Segment results	(771)	(4,623)	–	(5,394)
	<u>(771)</u>	<u>(4,623)</u>	<u>–</u>	<u>(5,394)</u>
Unallocated interest income				12
Unallocated gains				108
Unallocated expenses				(5,425)
Impairment of goodwill				(20,602)
				<u>(20,602)</u>
Loss from operations				<u>(31,301)</u>

(b) Geographical segments

Revenue and operating loss for the Group's geographical segments.

	Hong Kong	Elsewhere in the PRC	Eliminations	Consolidated
	First half of 2005	First half of 2005	2005	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	77	127,083	–	127,160
Segment results	(7,484)	(23,817)	–	(31,301)

B. 2004

(a) Business segments

Revenue, profit (loss) and certain asset, liability and expenditure information for the Group's business segments.

	Banking and finance systems integration service 2004	Software solution for banks and public sector 2004	Eliminations 2004	Consolidated 2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	78,270	159,571	–	237,841
Intersegment sales	–	820	(820)	–
Interest income	194	213	–	407
Other income	178	657	–	835
Total	78,642	161,261	(820)	239,083
Segment results	(5,314)	(6,527)	–	(11,841)
Unallocated interest income				235
Unallocated gains				339
Unallocated expenses				(17,965)
Loss from operating activities				(29,232)
Finance costs				(523)
Loss before tax				(29,755)
Tax				(175)
Loss before minority interests				(29,930)
Minority interests				3,077
Net loss from ordinary activities attributable to shareholders				(26,853)

	Banking and finance systems integration service 2004 HK\$'000	Software solution for banks and public sector 2004 HK\$'000	Eliminations 2004 HK\$'000	Consolidated 2004 HK\$'000
Segment assets	278,547	111,702	(135,616)	254,633
Unallocated assets:				
Long term investment				66,681
Others				4,136
Total assets				<u>325,450</u>
Segment liabilities	(172,943)	(78,418)	135,616	(115,745)
Unallocated liabilities				<u>(74,561)</u>
Total liabilities				<u>(190,306)</u>
Other segment information:				
Cash and bank balance included in segment assets	44,597	35,231	–	79,828
Pledged time deposits included in segment assets	2,141	–	–	2,141
Depreciation and amortisation	1,685	1,380	–	3,065
Unallocated amounts				<u>514</u>
				<u>3,579</u>
Provision for doubtful debts	6,059	2,530	–	<u>8,589</u>
Capital expenditure	1,090	442	–	1,532
Unallocated amounts				<u>112</u>
				<u>1,644</u>

(b) Geographical segments

Revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong	Elsewhere	Eliminations	Consolidated
	2004	in the PRC	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	430	237,411	–	237,841
Intersegment sales	–	820	(820)	–
	<u>430</u>	<u>238,231</u>	<u>(820)</u>	<u>237,841</u>
Segment assets	580,657	254,564	(576,556)	258,665
Unallocated amounts:				
Long term investment				<u>66,785</u>
				<u>325,450</u>
Other segment information:				
Cash and bank balances included				
in segment assets	29	79,828	–	79,857
Pledged time deposits included				
in segment assets	3,000	2,141	–	5,141
Capital expenditure	<u>119</u>	<u>1,525</u>	<u>–</u>	<u>1,644</u>

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

C. 2003

(a) Business segments

Revenue, profit (loss) and certain asset, liability and expenditure information for the Group's business segments.

	Banking and finance systems integration service 2003 HK\$'000	Software solution for banks and public sector 2003 HK\$'000	Eliminations 2003 HK\$'000	Consolidated 2003 HK\$'000
Segment revenue:				
Sales to external customers	111,412	150,280	-	261,692
Intersegment sales	-	960	(960)	-
Interest income	521	35	-	556
Other income	440	7	-	447
	<u>112,373</u>	<u>151,282</u>	<u>(960)</u>	<u>262,695</u>
Total	<u>112,373</u>	<u>151,282</u>	<u>(960)</u>	<u>262,695</u>
Segment results	<u>(4,513)</u>	<u>3,427</u>	<u>-</u>	<u>(1,086)</u>
Unallocated interest income				704
Unallocated gains				82
Unallocated expenses				<u>(14,709)</u>
Loss from operating activities				(15,009)
Finance costs				<u>(725)</u>
Loss before tax				(15,734)
Tax				<u>1,974</u>
Loss before minority interests				(13,760)
Minority interests				<u>(1,622)</u>
Net loss from ordinary activities attributable to shareholders				<u>(15,382)</u>

	Banking and finance systems integration service 2003 HK\$'000	Software solution for banks and public sector 2003 HK\$'000	Eliminations 2003 HK\$'000	Consolidated 2003 HK\$'000
Segment assets	228,964	134,248	(106,321)	256,891
Unallocated assets:				
Long term investment				66,681
Others				47,704
Total assets				<u>371,276</u>
Segment liabilities	(146,357)	(99,457)	106,321	(139,493)
Unallocated liabilities				<u>(67,079)</u>
Total liabilities				<u>(206,572)</u>
Other segment information:				
Cash and bank balances included in segment assets	43,880	40,975	–	84,855
Pledged time deposits included in segment assets	2,929	10,541	–	13,470
Depreciation and amortisation	2,082	1,097	–	3,179
Unallocated amounts				<u>869</u>
				<u>4,048</u>
Provision for doubtful debts	6,887	1,305	–	<u>8,192</u>
Other non-cash income (expenses)	12	(38)	–	(26)
Unallocated amounts				<u>294</u>
				<u>268</u>
Capital expenditure	1,884	138	–	2,022
Unallocated amounts				<u>280</u>
				<u>2,302</u>

(b) Geographical segments

Revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong	Elsewhere	Eliminations	Consolidated
	2003	in the PRC	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	237	261,455	–	261,692
	<u>237</u>	<u>261,455</u>	<u>–</u>	<u>261,692</u>
Segment assets	584,855	254,064	(534,324)	304,595
Unallocated amounts				
Long term investment				66,681
				<u>371,276</u>
Other segment information:				
Cash and bank balances included				
in segment assets	6,985	84,848	–	91,833
Pledged time deposits included				
in segment assets	3,000	13,470	–	16,470
Capital expenditure	280	2,022	–	2,302
	<u>280</u>	<u>2,022</u>	<u>–</u>	<u>2,302</u>

D. 2002

(a) Business segments

Revenue, profit (loss) and certain asset, liability and expenditure information for the Group's business segments.

	Continuing operations		Discontinued operations		
	Banking and finance systems integration service	Software solution for banks and public sector	Broadband Internet equipment, network security software and business software systems	Eliminations	Consolidated
	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	84,269	104,515	155,084	-	343,868
Intersegment sales	-	1,095	-	(1,095)	-
Interest income	796	449	422	-	1,667
Other income	261	-	205	-	466
Total	<u>85,326</u>	<u>106,059</u>	<u>155,711</u>	<u>(1,095)</u>	<u>346,001</u>
Segment results	<u>(11,266)</u>	<u>(2,259)</u>	<u>19,446</u>	<u>-</u>	<u>5,921</u>
Unallocated interest income					443
Unallocated gains					583
Unallocated expenses					(21,524)
Loss on disposal of discontinued operations					<u>(119,309)</u>
Loss from operating activities					(133,886)
Finance costs					<u>(1,294)</u>
Loss before tax					(135,180)
Tax					<u>(4,065)</u>
Loss before minority interests					(139,245)
Minority interests					<u>(8,624)</u>
Net loss from ordinary activities attributable to shareholders					<u>(147,869)</u>

	Continuing operations		Discontinued operations		
	Banking and finance systems integration service	Software solution for banks and public sector	Broadband Internet equipment, security software and business software systems	Eliminations	Consolidated
	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	243,844	90,816	–	(120,512)	214,148
Unallocated assets:					
Long term investment					51,081
Others					57,215
Bank overdrafts included in segment assets	592				592
Total assets					323,036
Segment liabilities	171,172	52,287	–	(120,512)	102,947
Unallocated liabilities					41,046
Bank overdrafts included in segment assets	592				592
Total liabilities					144,585
Other segment information:					
Cash and bank balances included in segment assets	45,866	14,023	–		59,889
Pledged time deposits included in segment assets	2,913	12,481	–		15,394
Depreciation and amortisation	(4,661)	(3,003)	(7,333)		(14,997)
Unallocated amounts					(1,063)
					(16,060)
Provision for doubtful debts	(2,992)	(24)	–		(3,016)
Other non-cash income (expenses)	(99)	18	(8)		(89)
Unallocated amounts					(70)
					(159)
Capital expenditure	1,032	558	863		2,453
Unallocated amounts					1,332
					3,785

(b) Geographical segments

Revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong 2002 HK\$'000	Elsewhere in the PRC 2002 HK\$'000	Asia Pacific 2002 HK\$'000	Eliminations 2002 HK\$'000	Consolidated 2002 HK\$'000
Segment revenue:					
Sales to external customers	12,838	307,094	23,936	–	343,868
	<u>12,838</u>	<u>307,094</u>	<u>23,936</u>	<u>–</u>	<u>343,868</u>
Other segment information					
Segment assets	644,214	194,241	–	(567,092)	271,363
Unallocated amounts:					
Long term investment					51,081
Bank overdrafts included in segment assets	592	–	–	–	592
					<u>323,036</u>
Cash and bank balances included in segment assets	3,460	56,770	–	–	60,230
Pledged time deposits included in segment assets	19,884	10,541	–	–	30,425
Capital expenditure	<u>2,386</u>	<u>1,399</u>	<u>–</u>	<u>–</u>	<u>3,785</u>

6. Revenue and other incomes

Revenue represents the net invoiced value of goods sold and services rendered. All significant intra-group transactions have been eliminated on consolidation.

An analysis of revenue and other incomes is as follows:

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:					
Sale of goods	100,829	81,631	208,194	223,915	111,016
Provision of computer technology services	26,331	22,731	29,647	37,777	77,768
	<u>127,160</u>	<u>104,362</u>	<u>237,841</u>	<u>261,692</u>	<u>188,784</u>
Discontinued operations:					
Sales of goods	–	–	–	–	155,082
Provision of computer technology services	–	–	–	–	2
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>155,084</u>
Revenue	127,160	104,362	237,841	261,692	343,868
Interest income	418	416	642	1,260	2,110
Gross rental income	–	–	–	32	533
Wavier of an amount due to a minority shareholder of a subsidiary	–	–	657	–	–
Sundry income	495	242	517	497	516
Other incomes	<u>913</u>	<u>658</u>	<u>1,816</u>	<u>1,789</u>	<u>3,159</u>
	<u>128,073</u>	<u>105,020</u>	<u>239,657</u>	<u>263,481</u>	<u>347,027</u>

7. Loss from operating activities

The Group's loss from operating activities is arrived at after charging (crediting):

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Costs of inventories sold and services rendered	118,714	90,535	210,676	225,408	261,433
Depreciation	1,186	1,355	2,700	3,678	7,120
Amortization of goodwill	–	–	–	–	6,174
Impairment of goodwill	20,602	–	–	–	–
Amortization of deferred development costs	439	439	879	370	2,766
Minimum lease payments under operating leases in respect of land and buildings	–	1,710	3,140	3,586	5,846
Auditors' remuneration	600	450	1,400	1,500	948
Staff costs, excluding directors' remuneration:					
– Salaries	11,765	13,354	30,399	26,699	54,204
– Retirement benefits: payments to defined compensation plans					
– mainland China	1,782	1,969	3,917	3,499	3,618
– Hong Kong	57	56	113	129	825
	13,604	15,379	34,429	30,327	58,647
Exchange loss (gain), net	56	9	27	(12)	400
Loss on disposal of subsidiaries	–	–	–	–	119,363
Loss (Gain) on disposal of fixed assets, net	3	–	–	(268)	159
(Write-back) Provision for doubtful debts	<u>(2,543)</u>	<u>214</u>	<u>8,589</u>	<u>8,192</u>	<u>3,016</u>

8. Remuneration of directors and the five highest paid employees

(a) Directors

The remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees:					
Executive directors	–	–	–	–	–
Non-executive directors	–	–	–	50	200
Independent non-executive directors	300	200	440	396	400
	<u>300</u>	<u>200</u>	<u>440</u>	<u>396</u>	<u>400</u>
	300	200	440	446	600
	-----	-----	-----	-----	-----
Other emoluments of executive directors:					
– Basic salaries, other allowances and benefits in kind	3,192	3,312	6,743	6,428	6,108
– Mandatory provident fund contributions	18	21	45	36	73
	<u>3,210</u>	<u>3,333</u>	<u>6,788</u>	<u>6,464</u>	<u>6,181</u>
	3,210	3,333	6,788	6,464	6,181
	-----	-----	-----	-----	-----
	<u>3,510</u>	<u>3,533</u>	<u>7,228</u>	<u>6,910</u>	<u>6,781</u>
	3,510	3,533	7,228	6,910	6,781
	=====	=====	=====	=====	=====

The numbers of directors whose remuneration fell within the following bands are as follows:

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil to HK\$1,000,000	4	4	5	6	6
HK\$1,000,001 to HK\$2,000,000	–	–	–	1	1
HK\$2,000,001 to HK\$3,000,000	2	2	2	1	1
	<u>6</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>8</u>
	6	6	7	8	8
	=====	=====	=====	=====	=====

(b) Five highest paid employees

The 5 highest paid employees included 3 directors (2003: 3) during the year, details of whose remuneration are set out above.

Details of the remuneration of the remaining 2 non-director, highest paid employees (2003: 2) are as follows:

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
– Basic salaries, other allowances and benefits in kind	621	687	1,375	952	1,740
– Mandatory provident fund contributions	12	12	24	12	12
	<u>633</u>	<u>699</u>	<u>1,399</u>	<u>964</u>	<u>1,752</u>

The remuneration of each of the non-director, highest paid employees for the year ended 31 December 2004 fell within the Nil to HK\$1,000,000 band.

During 2003, an aggregate of 15,000,000 share options with an exercise price of HK\$0.233 per share were granted to 3 executive directors and the 2 non-director, highest paid employees, in respect of their services to the Group. No share options were granted to the directors nor the 5 highest paid employees during the year ended 31 December 2004 and 6 months ended 30 June 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods. During the Relevant Periods, no remuneration were paid by the Group to the directors or the non-director, highest paid employees as an inducement to join and as compensation for loss of office.

In the opinion of the directors of the company, the Group had no significant obligations for long service payments to its employees pursuant to the requirements of the Hong Kong Employment Ordinance on the reporting date.

9. Finance costs

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within 5 years	508	70	486	665	1,190
Interest on finance leases	18	18	37	60	104
	<u>526</u>	<u>88</u>	<u>523</u>	<u>725</u>	<u>1,294</u>

10. Tax

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:					
Hong Kong	–	–	–	–	5,061
Mainland China	158	–	1,415	1,764	1,530
Overprovision in prior years	615	(153)	(1,240)	(3,738)	(2,526)
Tax charge (credit)	<u>773</u>	<u>(153)</u>	<u>175</u>	<u>(1,974)</u>	<u>4,065</u>

北京先進數通信息技術有限公司（“先進數通”），a subsidiary of the Company established in Mainland China, is exempted from Mainland China corporate income tax for 3 years starting from the year ended 31 December 2001, and thereafter is eligible for a 50% relief from income tax for the following 3 years under the income tax law of mainland China. The standard corporate income tax rate applicable to 先進數通 is 15%. As a result of the exemptions, 先進數通 is exempt from the paying of income tax for the years ended 31 December 2001, 2002 and 2003, and will be subject to income tax at the rate of 7.5% for the years ended 31 December 2004, 2005 and 2006. For the years ended 31 December 2003 and 2004, the statutory corporate income tax rates applicable to the other subsidiaries established and operating in mainland China range from 15% to 33%.

A reconciliation of the tax charge (credit) applicable to the Group's loss before tax using the statutory tax rates to the tax charge (credit) at the effective tax rates, are as follows:

	6 months ended		Year ended 31 December		
	30 June		2004	2003	2002
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before tax	(31,827)	(10,123)	(29,755)	(15,734)	(135,180)
Tax credit at the rates applicable to					
losses in the countries concerned	(5,028)	(1,388)	(4,603)	(2,703)	(21,026)
Income not subject to tax	(392)	(260)	(505)	(615)	(667)
Expenses not deductible for tax	5,586	1,716	6,559	5,829	27,935
Adjustment to opening unutilised					
tax losses resulting from increase					
in tax rate	-	-	-	(61)	-
Decrease in unutilised tax losses					
carryforward due to deregistration					
of subsidiaries	-	-	-	(857)	-
Increase in unutilised tax losses					
carryforward	-	-	22	171	349
Tax losses from previous periods utilised	(8)	(68)	(58)	-	-
Tax charge at the Group's effective rate	158	-	1,415	1,764	6,591
Adjustments in respect of current tax					
of previous year	615	(153)	(1,240)	(3,738)	(2,526)
Tax charge (credit) at the Group's					
effective rate	773	(153)	175	(1,974)	4,065

The Group has tax losses arising in Hong Kong of approximately HK\$3.2 million that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to uncertainty of their future results.

11. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the periods/years and the weighted average number of ordinary shares in issue during the periods/years.

Diluted loss per share amounts for the periods/years have not been presented as the share options outstanding during these periods/years had an anti-dilutive effect on the basic loss per share for these periods/years.

12. Fixed assets

Group

	Medium-term leasehold land and building in Hong Kong HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 January 2002	650	5,677	28,836	3,219	38,382
Additions	–	250	2,253	1,282	3,785
Disposal of subsidiaries	–	(1,343)	(4,892)	–	(6,235)
Disposals/write-off	–	(584)	(2,600)	–	(3,184)
At 31 December 2002	650	4,000	23,597	4,501	32,748
Additions	–	–	1,755	547	2,302
Disposals/write-off	(650)	–	(879)	(2,536)	(4,065)
At 31 December 2003	–	4,000	24,473	2,512	30,985
Additions	–	95	1,491	58	1,644
Disposals/write-off	–	(448)	(1,036)	–	(1,484)
At 31 December 2004	–	3,647	24,928	2,570	31,145
Additions	–	–	491	89	580
Disposals/write-off	–	–	(14)	–	(14)
At 30 June 2005	–	3,647	25,405	2,659	31,711
Accumulated depreciation:					
At 1 January 2002	89	3,427	15,680	2,608	21,804
Provided during the year	33	811	5,740	536	7,120
Disposal of subsidiaries	–	(467)	(1,685)	–	(2,152)
Disposals/write-off	–	(420)	(1,284)	–	(1,704)
At 31 December 2002	122	3,351	18,451	3,144	25,068
Provided during the year	30	487	2,636	525	3,678
Disposals/write-off	(152)	–	(739)	(2,527)	(3,418)
At 31 December 2003	–	3,838	20,348	1,142	25,328
Provided during the year	–	139	1,946	615	2,700
Disposals/write-off	–	(448)	(1,036)	–	(1,484)
At 31 December 2004	–	3,529	21,258	1,757	26,544
Provided during the period	–	45	819	322	1,186
Disposals/write-off	–	–	(10)	–	(10)
At 30 June 2005	–	3,574	22,067	2,079	27,720
Net book value:					
At 31 December 2002	528	649	5,146	1,357	7,680
At 31 December 2003	–	162	4,125	1,370	5,657
At 31 December 2004	–	118	3,670	813	4,601
At 30 June 2005	–	73	3,338	580	3,991

Company

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1 January 2002	1,869	876	1,350	4,095
Additions	126	182	1,026	1,334
Disposals/write-off	(368)	(35)	–	(403)
At 31 December 2002	1,627	1,023	2,376	5,026
Additions	–	–	280	280
Disposals/write-off	–	–	(1,361)	(1,361)
At 31 December 2003	1,627	1,023	1,295	3,945
Additions	88	24	–	112
At 31 December 2004	1,715	1,047	1,295	4,057
Additions	–	106	–	106
At 30 June 2005	1,715	1,153	1,295	4,163
Accumulated depreciation:				
At 1 January 2002	1,402	454	975	2,831
Provided during the year	234	340	489	1,063
Disposals/write-off	(306)	(23)	–	(329)
At 31 December 2002	1,330	771	1,464	3,565
Provided during the year	230	216	424	870
Disposals/write-off	–	–	(1,352)	(1,352)
At 31 December 2003	1,560	987	536	3,083
Provided during the year	54	28	432	514
At 31 December 2004	1,614	1,015	968	3,597
Provided during the period	35	25	216	276
At 30 June 2005	1,649	1,040	1,184	3,873
Net book value:				
At 31 December 2002	<u>297</u>	<u>252</u>	<u>912</u>	<u>1,461</u>
At 31 December 2003	<u>67</u>	<u>36</u>	<u>759</u>	<u>862</u>
At 31 December 2004	<u>101</u>	<u>32</u>	<u>327</u>	<u>460</u>
At 30 June 2005	<u>66</u>	<u>113</u>	<u>111</u>	<u>290</u>

13. Deferred development costs

Group

	As at 30 June 2005 HK\$'000	Year ended 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cost:				
At beginning of period/years	6,869	6,869	4,233	4,752
Additions	–	–	2,636	1,095
Write-off	–	–	–	(1,614)
At end of period/years	6,869	6,869	6,869	4,233
Accumulated amortization:				
At beginning of year	5,482	4,603	4,233	3,081
Provided during the period/years	439	879	370	2,766
Write-off	–	–	–	(1,614)
At end of period/years	5,921	5,482	4,603	4,233
Net book value:				
At beginning of period/years	1,387	2,266	–	1,671
At end of period/years	948	1,387	2,266	–

14. Interests in subsidiaries

	As at 30 June 2005 HK\$'000	Year ended 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	39,631	39,631	39,631	39,631
Due from subsidiaries	325,523	331,989	331,013	338,724
Due to subsidiaries	(2,049)	(2,080)	(2,140)	(2,411)
	363,105	369,540	368,504	375,944
Provision for impairment	(265,382)	(265,382)	(265,382)	(227,925)
	97,723	104,158	103,122	148,019

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

As at the date of the Report, the Company has interests in the following principal subsidiaries:

Company	Place of incorporation/ registration and operation	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Held directly:				
Technology Venture Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100	Investment holding
Held indirectly:				
Light International Holdings Limited	British Virgin Islands/ Mainland China	Ordinary US\$10,000	100	Provision of procurement services
Sequent China/ Hong Kong Limited	Hong Kong/ Mainland China	Ordinary HK\$10,000	100	Distribution of information technology products and provision of computer technology services
Technology Venture (Software) Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100	Investment holding
Topasia Computer Limited	Hong Kong/ Mainland China	Ordinary HK\$10,000	100	Distribution of information technology products and provision of computer technology services
Topsoft Limited	Hong Kong	Ordinary HK\$10,000	100	Distribution of information technology products and provision of computer technology services
Windsor Enterprises Limited	British Virgin Islands/ Mainland China	Ordinary US\$10,000	100	Provision of marketing services

Company	Place of incorporation/ registration and operation	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Advanced Digital Technology Company Limited	British Virgin Islands/ Mainland China	Ordinary US\$1,000	55	Investment holding
Advanced Digital Technology Company Limited	Hong Kong/ Mainland China	Ordinary HK\$2	55	Provision of systems integration services and software development
北京先進數通信息 技術有限公司 (Note 1)	Mainland China	Registered Capital US\$3,000,000	55	Provision of systems integration services and software development
冠亞科技（上海） 有限公司 (Note 2)	Mainland China	Registered Capital US\$3,800,000	100	Distribution of information technology products and provision of computer technology services
冠亞信息科技服務 （上海）有限公司 (Note 3)	Mainland China	Registered Capital US\$1,000,000	100	Provision of systems integration and maintenance services

Notes:

1. 北京先進數通信息技術有限公司 is a wholly-foreign owned enterprise established by Advanced Digital Technology Company Limited in mainland China for a period of 15 years commencing from the date of issuance of the business licence on 31 October 2000.
2. 冠亞科技（上海）有限公司 is a wholly-foreign owned enterprise established by Topasia Computer Limited in mainland China for a period of 20 years commencing from the date of issuance of the business licence on 29 November 2001.
3. 冠亞信息科技服務（上海）有限公司 is a wholly-foreign owned enterprise established by Topasia Computer Limited in mainland China for a period of 20 years commencing from the date of issuance of the business licence on 28 January 2002.

The above table lists out the subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the Relevant Periods or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. Goodwill

The balances of goodwill presented in group statement of changes in equity are as follows:

	As at 30 June 2005 HK\$'000	Year ended 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Goodwill acquired in business combinations:				
At beginning of period/years	43,248	43,248	43,248	40,048
Addition	—	—	—	3,200
	43,248	43,248	43,248	43,248
Impairment loss	20,602	—	—	—
	20,602	—	—	—
At end of period/years	22,646	43,248	43,248	43,248

16. Interest in a jointly controlled entity

	As at 30 June 2005 HK\$'000	Year ended 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
At cost	104	104	—	—

The entity has not commenced business.

Particulars of the jointly controlled entity are as follows:

Name	Business Structure	Place of registration and operation	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
北京先進一心軟件有限公司	Corporate	Mainland China	33.33%	33.33%	33.33%	Provision of system integration services and software development

北京先進一心軟件有限公司 is an equity joint venture established by 北京先進數通信息技術有限公司 and two joint venturers in mainland China for a period of 50 years commencing from the date of issuance of the business licence on 27 September 2004. It is accounted for as a jointly controlled entity by virtue of the fact that neither the Group nor any of the joint venturers is in a position to exercise unilateral control over its economic activity.

17. Financial assets

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current assets				
Available-for-sale investments:				
Listed, outside Hong Kong	66,681	66,681	–	–
Unlisted, outside Hong Kong (Note 18)	14,778	–	66,681	51,081
	81,459	66,681	66,681	51,081
Revaluation surplus transferred to equity	316	–	–	–
Fair value of investments at balance sheet dates	81,775	66,681	66,681	51,081
Current assets				
Advance to CCT Group – unsecured	–	23,030	6,000	8,755
Other receivable	1,356	15	2,539	3,684
	1,356	23,045	8,539	12,439

The unlisted long term investment as at 31 December 2002 and 2003 represented the cost of the Group's investment in a 19.9% equity interest in ChinaCast Technology (BVI) Limited ("CCT"). CCT is an internet access and content provider based in Hong Kong and mainland China.

During 2003, CCT underwent a reorganization to rationalise the structure of the group of companies including CCT (the "CCT Group") with a view to list shares for fund raising. ChinaCast Communication Holdings Limited ("CCH") was incorporated in Bermuda on 20 November 2003 to become the listing vehicle of the CCT Group. In May 2004, the shares of CCH were listed on the Singapore Exchange and the Group's holding was diluted from 19.9% to approximately 14.96%. In the opinion of the directors, the Group has no significant influence on the CCT Group.

18. Deposits

The balances include a deposit in respect of a 20% equity investment in Beijing Dongshi Shuangwei Education Technology Company Limited. The acquisition was completed in March 2005 and is accounted for as available-for-sale investment.

19. Inventories

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Information technology products held for resale	8,255	20,353	13,217	15,989
Work in progress	13,567	7,844	7,507	8,956
	21,822	28,197	20,724	24,945

20. Trade and bills receivable

The aged analysis of the trade and bills receivable as at the balance sheet dates is as follows:

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Current to 90 days	21,105	37,143	47,754	20,204
91 days to 180 days	8,053	2,990	3,566	13,868
181 days to 365 days	11,792	5,007	2,275	11,854
Over 365 days	2,929	7,127	15,769	23,196
	<u>43,879</u>	<u>52,267</u>	<u>69,364</u>	<u>69,122</u>

21. Impairment of goodwill

The amount charged against incomes is for writing down the carrying amounts of investments in 2 subsidiaries to their recoverable amounts.

22. Cash and cash equivalents

	As at 30 June 2005 HK\$'000	Group As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	12,500	45,895	57,591	26,653
Pledged time deposits	3,138	5,141	16,470	30,425
Other time deposits with original maturity of more than 3 months when acquired	<u>33,963</u>	<u>33,962</u>	<u>34,242</u>	<u>33,577</u>
	49,601	84,998	108,303	90,655
Less: Pledged time deposits	<u>(3,138)</u>	<u>(5,141)</u>	<u>(16,470)</u>	<u>(30,425)</u>
Cash and cash equivalents	<u>46,463</u>	<u>79,857</u>	<u>91,833</u>	<u>60,230</u>

	Company			
	As at	As at 31 December		
	30 June	2004	2003	2002
	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	32	29	6,978	341
Pledged time deposits	3,000	3,000	3,000	15,030
	3,032	3,029	9,978	15,371
Less: Pledged time deposits	(3,000)	(3,000)	(3,000)	(15,030)
Cash and cash equivalents	32	29	6,978	341

At the balance sheet dates, the balances of cash and cash equivalents denominated in Renminbi were about 90% of the total balances. Renminbi is not a freely convertible currency.

23. Trade and bills payable

	Group			
	As at	As at 31 December		
	30 June	2004	2003	2002
	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and bills payable	28,916	51,372	54,224	24,638
Due to certain minority shareholders	325	325	1,452	983
Due to related companies	607	607	2,739	651
	29,848	52,304	58,415	26,272

The amounts due to the minority shareholders and related companies are unsecured, interest-free and repayable on demand.

The aged analysis of the balances is as follows:

	Group			
	As at	As at 31 December		
	30 June	2004	2003	2002
	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	5,651	25,981	47,665	14,239
91 days to 180 days	2,354	187	1,217	—
181 days to 365 days	2,598	10,740	1,532	3,220
Over 365 days	19,245	15,396	8,001	8,813
	29,848	52,304	58,415	26,272

24. Accrued expenses and other payables

	Group			
	As at	As at 31 December		
	30 June	2004	2003	2002
	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued expenses and other liabilities	51,219	55,245	71,569	54,373
Due to minority shareholders of a subsidiary	24,708	24,708	24,708	35,478
	<u>75,927</u>	<u>79,953</u>	<u>96,277</u>	<u>89,851</u>
	Company			
	As at	As at 31 December		
	30 June	2004	2003	2002
	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued expenses and other liabilities	3,298	2,508	1,090	1,599
	<u>3,298</u>	<u>2,508</u>	<u>1,090</u>	<u>1,599</u>

Part of the amount due to the minority shareholder of HK\$13,574,000 represents the outstanding purchase consideration for the acquisition of a 55% shareholding in a subsidiary in 2000. This balance is unsecured, interest-free and repayable on demand.

The remaining balance of approximately HK\$11,134,000 represents an amount advanced from the minority shareholder to provide for working capital of the subsidiary. The balance is unsecured, interest-free and repayable on demand.

25. Bank and other borrowings

	As at	As at 31 December		
	30 June	2004	2003	2002
	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts, secured	813	–	–	592
Bank overdrafts repayable on demand, unsecured	–	906	–	–
Bank loans, repayable within 1 year, secured	9,434	41,981	34,811	11,887
Trust receipt loans repayable within 1 year, secured	4,505	1,170	4,528	514
Other loans repayable within 1 year, unsecured	–	1,560	–	–
	<u>14,752</u>	<u>45,617</u>	<u>39,339</u>	<u>12,993</u>

26. Obligation under finance lease

The Company and the Group lease a motor vehicle for business use. This lease is classified as a finance lease and has a remaining lease term of over two years.

At the balance sheet dates, the total future minimum lease payments under the finance lease were as follows:

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable:				
not later than 1 year	263	311	326	569
in the 2nd to 5th years	174	290	601	894
Total minimum finance lease payments	437	601	927	1,463
Future finance charges	(53)	(72)	(108)	(217)
Total obligation under finance lease	384	529	819	1,246
Portion classified as:				
current liabilities	(232)	(275)	(315)	(526)
Long-term portion	152	254	504	720

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable:				
not later than 1 year	232	275	315	526
in the 2nd to 5th years	152	254	504	720
Amount of minimum lease payments	384	529	819	1,246

27. Deferred tax

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
At beginning and end of period/years	233	233	233	233

The principal components of the Group's deferred tax liabilities represented those arising from accelerated depreciation allowances.

28. Share capital

	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
<i>Authorized:</i>				
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>				
502,729,644 (2003: 501,209,644) ordinary shares of HK\$0.10 each	<u>50,273</u>	<u>50,273</u>	<u>50,121</u>	<u>50,121</u>

During 2004, the subscription rights attaching to 1,520,000 share options were exercised at the subscription price of HK\$0.233 per share, resulting in the issue of 1,520,000 shares at HK\$0.10 each for cash.

A summary of the movements of the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2002	362,000,000	36,200	277,121	313,321
Issue of consideration shares (<i>note</i>)	80,733,644	8,073	40,007	48,080
Placement of new shares (<i>note</i>)	60,000,000	6,000	25,800	31,800
Share issue expenses	<u>–</u>	<u>–</u>	<u>(1,648)</u>	<u>(1,648)</u>
	140,733,644	14,073	64,159	78,232
Share repurchases	<u>(1,524,000)</u>	<u>(152)</u>	<u>(209)</u>	<u>(361)</u>
At 31 December 2002/1 January 2003	<u>501,209,644</u>	<u>50,121</u>	<u>341,071</u>	<u>391,192</u>
At 31 December 2003/1 January 2004	501,209,644	50,121	341,071	391,192
Exercise of share options	<u>1,520,000</u>	<u>152</u>	<u>203</u>	<u>355</u>
At 31 December 2004/1 January 2005	<u>502,729,644</u>	<u>50,273</u>	<u>341,274</u>	<u>391,547</u>
At 30 June 2005	<u>502,729,644</u>	<u>50,273</u>	<u>341,274</u>	<u>391,547</u>

Note: The issue of consideration shares and placement of new issues in 2002 were in respect of the acquisition of 61% interest in the DMX Group.

29. Share option scheme

Pursuant to the share option scheme adopted by the Company on 12 June 1999 (the "Previous Scheme"), the Company granted certain options to directors and employees of the Group to subscribe for ordinary shares in the Company. To comply with the new requirements of Chapter 17 of the Listing Rules, which took effect from 1 September 2001, the Previous Scheme was terminated and a new share option scheme (the "New Scheme") was adopted. No further options are to be granted under the Previous Scheme as from 30 May 2003. However, for the options remaining outstanding under the Previous Scheme, the existing rights of the grantees are not affected.

Pursuant to the Previous Scheme, the subscription price is the higher of the nominal value of the shares of the Company or 80% of the average of the closing prices per share of the Company quoted on the Stock Exchange for the 5 trading days immediately preceding the date of grant of the share options. The maximum number of shares in respect of which options can be granted under the Previous Scheme may not exceed 10% of the issued share capital of the Company from time to time.

A summary of the New Scheme is as follows:

- | | | | |
|-----|--|---|---|
| (a) | Purpose | – | To enable the Company to grant options to Eligible Participants (as defined below) as incentives and rewards for their contribution to the Group. |
| (b) | Eligible Participants | – | Employees, executives or officers of the Company or any of its subsidiaries (including their respective executive and non-executive directors) and suppliers, consultants and advisers who will or have provided services to the Group. |
| (c) | Total number of shares available for issue under the New Scheme | – | The total number may not exceed 30% of the shares of the Company in issue. |
| (d) | Maximum entitlement of each Eligible Participant | – | The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant may not exceed 1% of the number of shares of the Company in issue at the date of grant. |
| (e) | Period under which the shares must be taken up under an option | – | The period during which the options may be exercised is determined by the board of directors of the Company at its absolute discretion, save that no option may be exercised after more than 10 years from the date of adoption of the New Scheme, subject to early termination of the New Scheme. |
| (f) | Minimum period for which an option must be held before it can be exercised | – | No minimum period. |

(g)	Basis of determining the exercise price	–	The exercise price must be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.
(h)	Remaining life of the New Scheme	–	The New Scheme remains in force until 29 May 2012 unless otherwise terminated in accordance with the terms stipulated therein.
(i)	Period within which payments must be made	–	28 days from the date of the offer of the options.
(j)	Amount payable on acceptance of the option	–	HK\$1.00

Share options do not confer rights on the holders to dividends or to vote shareholders' meetings.

The 1,520,000 share options exercised during 2004 resulted in the issue of 1,520,000 ordinary shares of the Company and new share capital of HK\$152,000 and share premium of HK\$203,000 (before issue expenses).

As at the reporting date of 30 June 2005, the Company has 49,855,000 share options outstanding under the share option scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 49,855,000 additional ordinary shares of the Company and proceeds, before relevant share issue expenses, of HK\$14,750,000.

* *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*

** *The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price of the Company's shares on the Stock Exchange on the trading day immediately prior to the date of grant of the options.*

*** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

The following share options were outstanding as at the reporting date:

Grantee	Number of share options				Date of grant*	Share price of the Company at grant date**	Exercise price***	Exercise period of share capital
	At 1 January 2005	Exercised during the year	Cancelled during the year	At 30 June 2005				
Directors:								
Mr. Wu Emmy	5,000,000	–	–	5,000,000	27 November 2003	HK\$ 0.23	HK\$0.233	27 November 2003 to 29 May 2012
Mr. Tang Kin Hung	5,000,000	–	–	5,000,000	27 November 2003	HK\$ 0.23	HK\$0.233	27 November 2003 to 29 May 2012

Grantee	Number of share options			At 30 June 2005	Date of grant*	Share price of the Company at grant date**	Exercise price***	Exercise period of share capital
	At 1 January 2005	Exercised during the year	Cancelled during the year					
Former director:								
Mr. Chow Siu Lam, Cliff	5,000,000	-	-	5,000,000	27 November 2003	HK\$ 0.23	HK\$0.233	27 November 2003 to 29 May 2012
Other employees								
In aggregate	13,870,000	-	-	13,870,000	27 November 2003	HK\$ 0.23	HK\$0.233	27 November 2003 to 29 May 2012
Business associates:								
in aggregate	1,320,000	-	-	1,320,000	21 January 2000	HK\$3.175	HK\$2.532	21 January 2001 to 20 January 2010
	500,000	-	-	500,000	27 June 2002	HK\$0.415	HK\$0.431	27 June 2003 to 29 May 2012
	19,165,000	-	1,765,000	17,400,000	27 November 2003	HK\$0.23	HK\$0.233	27 November 2003 to 29 May 2012
	20,985,000	-	1,765,000	19,220,000				
Total	49,855,000	-	1,765,000	48,090,000				

30. Reserves

(a) Group

The amounts of the Group's consolidated reserves and the movements therein are presented in the group statement of changes in equity.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a group reorganisation in 1999 over the nominal value of the share capital of the Company issued in exchange therefor. Balance of goodwill arising from business combination is eliminated against consolidated reserves.

All components of equity other than retained earnings (accumulated losses) are not available for distribution to shareholders.

(b) *Company*

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	277,121	39,431	(107,005)	209,547
Issued of shares	65,807	–	–	65,807
Share issue expenses	(1,648)	–	–	(1,648)
Repurchase of shares	(209)	–	–	(209)
Net loss for the year	<u>–</u>	<u>–</u>	<u>(151,562)</u>	<u>(151,562)</u>
At 31 December 2002 and 1 January 2003	341,071	39,431	(258,567)	121,935
Net loss for the year	<u>–</u>	<u>–</u>	<u>(51,141)</u>	<u>(51,141)</u>
At 31 December 2003 and 1 January 2004	341,071	39,431	(309,708)	70,794
Exercise of share options	203	–	–	203
Net loss for the year	<u>–</u>	<u>–</u>	<u>(17,033)</u>	<u>(17,033)</u>
At 31 December 2004 and 1 January 2005	341,274	39,431	(326,741)	53,964
Net loss for the period	<u>–</u>	<u>–</u>	<u>(7,469)</u>	<u>(7,469)</u>
At 30 June 2005	<u>341,274</u>	<u>39,431</u>	<u>(334,210)</u>	<u>46,495</u>

31. Notes to the group cash flow statement(a) *Major non-cash transactions*

- (i) During 2004, a minority shareholder of a subsidiary waived an amount of HK\$657,000 due by that subsidiary (Note 6).
- (ii) During 2003, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$260,000.
- (iii) Pursuant to an assignment made on 14 April 2003, an amount of HK\$10,000,000 of consideration receivable from several purchasers in connection with the disposal of the interest in the DMX Group was offset against the considerations payable to a minority shareholder in connection with the Group's initial acquisition of the 51% equity interest in the DMX Group.

(b) *Disposal of subsidiaries*

In October 2002, the Group disposed of the 100% interests in DMX for a cash consideration of HK\$ 48,975,000.

	2002 <i>HK\$'000</i>
Net assets disposed of:	
Fixed assets	4,083
Goodwill	99,377
Inventories	4,469
Accounts receivable, prepayments and other receivables	123,783
Pledged time deposits	14,738
Cash and bank balances	16,134
Accounts payable and other accrued liabilities	(27,009)
Tax	(6,740)
Secured bank loan	(16,399)
Minority interests	(44,098)
	<hr/>
	168,338
Loss on disposal of subsidiaries	(119,363)
	<hr/>
	48,975
	<hr/>
Satisfied by:	
Cash consideration received and receivable	50,000
less: Legal expenses paid incidental to the disposal	(1,025)
	<hr/>
	48,975
	<hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2002 <i>HK\$'000</i>
Cash consideration received and receivable	50,000
Cash consideration not yet received	(30,000)
Offset with payable in relation to the acquisition of the subsidiaries in the prior year	(10,000)
Cash and bank balances disposed of	(16,134)
Legal expenses paid incidental to the disposal	(1,025)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(7,159)
	<hr/>

32. COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to two and half years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodical rent adjustments according to the then prevailing market conditions.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancelable operating leases in respect of land and buildings falling due as follows:

Group

	As at		As at 31 December	
	30 June		2003	2002
	2005	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,793	1,958	2,466	2,483
In the 2nd to 5th years, inclusive	782	476	503	1,268
	<u>2,575</u>	<u>2,434</u>	<u>2,969</u>	<u>3,751</u>

Save as aforesaid, the company and the Group did not have any other significant commitments.

33. Contingent liabilities

At the balance sheet dates, contingent liabilities not provided for in the financial statements were as follows:

	As at		As at 31 December	
	30 June		2003	2002
	2005	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in connection with banking facilities granted to certain subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>

	As at		As at 31 December	
	30 June		2003	2002
	2005	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in connection with banking facilities granted to certain subsidiaries	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>86,000</u>

34. Related party transactions

Ownership of the company's shares are widely held. The directors consider Technology Venture Holdings Limited (incorporated in Bermuda) as the ultimate parent of the Group.

The following transactions were carried out with related parties:

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(i) Sales to related companies					
(a) Management services to a company controlled by a director	-	-	162	-	-
(b) Fixed assets to a company controlled by a director	-	-	-	100	-
(c) Technology products to a company controlled by a director of a subsidiary	-	-	-	-	4,553

The charges are based on market rates and carrying amounts of the assets transferred

(ii) Purchases from related companies

(a) Information technology products from a company controlled by a director of a subsidiary	-	-	-	1,361	-
(b) Information technology products from a company controlled by a director of the Company	-	-	-	416	1,016
(c) Maintenance and consultancy services to a company controlled by a director	112	132	364	2,123	-

The charges are based on market rates and carrying amounts of the products transferred

	6 months ended		Year ended 31 December		
	30 June				
	2005	2004	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(iii) Key management compensation					
(a) Short term employee benefit					
– including salary	3,192	3,312	6,743	6,428	6,108
(b) Directors' fees:					
– Executive	–	–	–	–	–
– Non-executive	–	–	–	50	200
– Independent non-executive	300	200	400	396	400
(c) Post-employment benefits					
– contribution to defined contribution plans	18	21	45	36	73
(iv) Amounts of outstanding balances due by (due to) the following related parties:					
(a) Companies controlled by a director of the Company	–	–	–	–	–
(b) Companies controlled by a director of a subsidiary	–	–	–	–	–
(c) Directors:					
– Executive	–	–	–	–	–
– Non-executive	–	–	–	–	–
– Independent non-executive	–	–	–	–	–
(d) The jointly controlled company	–	–	–	–	–

The directors of the Company consider that the related party transactions by group companies were made on normal commercial terms and in the ordinary course of business.

35. Significant subsequent events

(1) Acquisition of Acacia Asia

Technology Venture Investments Limited, a wholly owned subsidiary of the Company, entered into an agreement on 19 August 2005 to acquire 100% of the issued capital of Acacia Asia Partners Limited and the shareholder's loan at a total consideration of HK\$ 13,000,000 with HK\$ 6,500,000 in cash and HK\$ 6,500,000 by the issue of 54,621,849 new shares of the Company.

(2) Disposal of shares in ChinaCast in exchange for shares in Great Wall

Technology Venture Investments Limited, a wholly owned subsidiary of the Company, signed an irrevocable Letter of Undertaking on 13 September 2005 to dispose of its holding of 66,074,441 shares in the capital of ChinaCast Communication Holdings Limited (approximately 14.96%) in exchange for 3,103,543 shares in the capital of Great Wall Acquisition Corporation (approximately 11.81% of the enlarged issue share capital), a company which shares are quoted on the Over the Counter market in the USA.

(3) *Disposal of equity interest in ADT*

Advanced Digital Technology Company Limited (ADT, HK), a 55% owned subsidiary of the Company, signed an agreement on 30 September 2005 to dispose of its 100% interest in Beijing Advanced Digital Information Technology Company Limited (北京先進數通信息技術有限公司) for a cash consideration of RMB 27,000,000 (approximately HK\$25,961,000) and Technology Venture Investments Limited, a wholly owned subsidiary of the Company, signed an agreement on 30 September 2005 to acquire 45% interest in Advanced Digital Technology Company Limited (ADT, BVI) for a nominal consideration of HK\$1.00.

Yours faithfully
Lawrence (DFK) CPA Limited
Hong Kong

The financial information of Great Wall was prepared under generally accepted accounting principles in the US, which may have material differences in the financial information had it been prepared in accordance with generally accepted accounting principles in Hong Kong.

(A) Principal differences between the generally accepted accounting principles in the US and in Hong Kong

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Lawrence (DFK) CPA Limited.

DFK

Lawrence (DFK) CPA Limited

富勤

富勤會計師有限公司

3/F., Hong Kong Trade Centre,
161-167, Des Voeux Road Central,
Central, Hong Kong

香港，中環，
德輔道中，161-167號，
香港貿易中心，3樓

30 November 2005

Directors
Technology Venture Holdings Limited
Unit 1, 31/F.,
118 Connaught Road West,
Hong Kong

Dear Sirs,

Principal differences between the generally accepted accounting principles in US ("US GAAP") and in Hong Kong ("HK GAAP") – acquisition of shares in Great Wall Acquisition Corporation

We refer to your request to provide summaries of the principal differences between US GAAP and HK GAAP and in particular, the differences concerning the major items in the financial statements of Great Wall Acquisition Corporation ("Great Wall").

As readers' main interest will be on the financial information of Great Wall, accounting aspects of Great Wall's major items will be discussed first. Our summaries are presented in the following sections:

- A. Similarities and differences between US GAAP and HK GAAP concerning major items in Great Wall's financial statements – based on Hong Kong Financial Reporting Standards ("HKFRS") which become effective for accounting periods beginning on or after 1 January 2005.
- B. General background of GAAP.
- C. Differences of general interest between HKFRS and US GAAP.

- D. Differences between Pre-2005 HK GAAP and US GAAP which are commonly encountered.
- A. **Similarities and differences between US GAAP and HK GAAP concerning major items in Great Wall's financial statements – based on HKFRS which become effective for accounting periods beginning on or after 1 January 2005.**

Based on the published information, there should be no major differences in reported amounts under the two GAAPs so far as the financial statements of Great Wall are concerned. The amount reported for each of the items will be similar and no reconciliations with regard to net asset and income are necessary.

As a development stage enterprise, cumulative net results (losses), issuance of equity instruments and cash flow of Great Wall from inception (i.e. incorporation) to the reporting date are required to be disclosed under US GAAP (pursuant to Financial Accounting Standard No.7) on top of disclosure requirement under HK GAAP.

The most important item in the financial statements of Great Wall is the investment in treasury bills, amounting to over US\$23 million as at 30 June 2005.

This is the only item, in our view, that needs to be explained in more details, as follows.

Accounting for investment in treasury bills under the two systems is alike in term of classification, recognition, measurement and presentation. It shall be classified as current asset, based on the following background:

Great Wall was formed on 20 August 2003 with the objective of serving as a vehicle to effect an acquisition or other similar business combination ("business combination") with a company having its primary operation in the People's Republic of China.

Great Wall undertook at its initial public offering of shares ("IPO") that, in the event it is not able to complete the business combination by 23 September 2005 (or 23 March 2006, subject to certain extension criteria), it will be dissolved.

Great Wall consummated its IPO on 23 March 2004 and received a net proceeds of approximately US\$23,986,000.

An amount of US\$23,161,000 was placed in a trust fund to invest in United States government securities with a maturity of 180 days or less. This investment is temporary in nature and is made solely for the purpose of earning short-term incomes prior to the acquisition.

Treasury Bills, commonly known as T-bills, are short-term federal obligation of the Treasury of the United States in bearer form sold at a discount when issued, usually for a term of 13 or 26 weeks.

Treasury bill is a type of financial assets as defined under both US GAAP and international/HK GAAP.

In the US, investment in treasury bills is classified under the category of “Trading Securities”. In Hong Kong and other jurisdictions adopting international financial reporting standards (“IFRS”) or International GAAP, such investment is classified as “financial assets at fair value through profit and loss”, under FRS 39.

The correspondent standard in the US is Financial Accounting Standard No. 115 (“FAS 115”).

Recognition under both systems is the same. Under HKFRS, treasury bill is recognised on acquisition and stated initially at fair value (using published market price as best evidence of fair value) and subsequently remeasured in each year also at fair value, the gain or loss arising being recognised in the income statement (in contrast to available-for-sale assets, the gain or loss of which are recognised in equity).

Under both systems, cash flows from purchases, sales and maturities of such investment are reported as cash flows from operating activities.

B. General background of GAAP

US GAAP and IFRS (international accounting standards (“IAS”) in the past) are the two most important systems of financial reporting internationally.

In the distant past, there were significant differences in detailed technical rules between the two.

Due to globalization of capital markets and other factors, the bodies responsible for formulation of US and international standards have come to a consensus to narrow down differences as far as possible.

Many of the ideas and concepts of IAS/IFRS have their origins in US GAAP, such as fair value accounting, as well as accounting for share-based payment and financial instruments.

Both systems are investor rather than tax oriented like in the former continental European system. Basic concepts such as accrual accounting and matching costs to revenue are common features.

HK GAAP is basically derived from international GAAP, which is the body of financial accounting principles and rules commonly accepted by the constituent professional accountancy bodies, statement preparers, auditors, investors, analysts, regulators and other users of the markets.

In the USA, GAAP is explained by the Auditing Standards Board as follows:

The phrase “generally accepted accounting principles” is a technical accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application but also detailed practices and procedures. Those conventions, rules and procedures provide a standard by which to measure financial presentation.

US GAAP are complex and contained in a variety of pronouncements issued by a number of bodies including the Financial Accounting Standards Board, Accounting Principles Board, American Institute of Certified Public Accountants and the Securities and Exchange Commission.

In Hong Kong, beginning in 2005, HKFRS has become important ingredient of HK GAAP.

HKFRS is principally based on, copied from and substantially the same as IFRS.

More specific distinction of HK GAAP and US GAAP are summarized in Section C and D below.

C. Principal differences of general interest between US GAAP and HKFRS (effective for periods beginning on or after 1 January 2005)

	HKFRS	US GAAP
1. Number of years covered by a full set of primary financial statements	2 years	3 years
2. Departure from GAAP	An entity may, in certain circumstances, depart from compliance with HK GAAP if compliance would be so misleading as would conflict with the objective of financial statements.	No such “override” of fair presentation is generally allowed. US GAAP is basically rule-based and must generally be adhered to even though the resulting presentation may be regarded as showing misleading results.

	HKFRS	US GAAP
3. Extraordinary items	Not permitted under HKFRS.	Permitted.
4. Joint venture	Proportionate consolidation is allowed.	Proportionate consolidation is not permitted.
5. Measurement of property, plant and equipment	The assets may be stated at cost or revalued amounts.	The assets must be recorded at depreciated historical cost, net of impairments, and not be revalued.
6. Measurement of investment property	Can be stated either at fair value or historical cost.	Can only be stated on the historical cost basis.
7. Borrowing costs	Entity shall recognize borrowing cost as an expense but has the option to capitalize the borrowing costs on qualifying assets.	Capitalization of interest costs is compulsory for certain qualifying assets.
8. Method for determining cost of inventory	LIFO method is not permitted.	LIFO method is permitted.
9. Bank overdraft	May be regarded as part of cash equivalents.	Excluded.

D. Principal differences between Pre-2005 HK GAAP and US GAAP which are commonly encountered in practice

1. *Share-based payment*

There was no requirement under Pre-2005 HK GAAP to account for the compensation cost of share options like in the US.

2. *Borrowing costs*

The amount of borrowing costs capitalized under Pre-2005 HK GAAP was after the deduction of any investment income earned on the temporary investment of the funds. Such income is not taken into account under US GAAP.

As a consequence, the amount of the interest capitalized and the related depreciation are different in amount under the two systems.

3. *Goodwill*

In general, goodwill was amortized over a period of no more than 20 years under Pre-2005 HK GAAP. Goodwill is not amortized but tested for impairment under US GAAP since 1 January 2002.

4. *Impairment of long-lived assets*

Forecast future cash flows used to estimate the recoverable amount to be compared with the carrying amount is discounted by an appropriate interest rate under Pre-2005 HK GAAP but undiscounted under US GAAP.

Your truly
Lawrence (DFK) CPA Limited
Hong Kong

(B) Reasons for not including an accountants' report of Great Wall for each of the two years ended 31 December 2004 and the six months ended 30 June 2005 prepared under generally accepted accounting principles in Hong Kong

Pursuant to Rule 14.69(4)(a) of the Listing Rules, a circular of a very substantial acquisition must contain an accountants' report on the company being acquired which then must relate to a financial period ended six months or less before the circular is issued. The financial information on the company being acquired as contained in the accountants' report must be prepared using accounting policies which are materially consistent with those of the Company.

The terms of the Offer are dictated by Great Wall in its sole discretion and under the Offer, Great Wall is not required or necessary to grant access of its books and records or provide any information (financial or otherwise), to any of the accepting shareholders of Great Wall (including the Group).

To comply with the requirements of the Listing Rules, the Group has made various verbal requests to the management of Great Wall for the books and records and the necessary information for the purpose of preparing the accountants' report of Great Wall for each of the two years ended 31 December 2004 and the six months ended 30 June 2005. With a view to formalising such request, the Group has subsequently written to Great Wall requesting for such books, records and information. Great Wall has denied the Group's request for the necessary access to its books and records and the provision of the necessary information for the purpose of preparing the accountants' report of Great Wall for each of the two years ended 31 December 2004 and the six months ended 30 June 2005. Without the necessary information from Great Wall, the Group and its accountants cannot prepare the reconciliation on the generally accepted accounting principles in the US and generally accepted accounting principles in Hong Kong.

Upon Completion, the Group will only be interested in approximately 11.81% of the enlarged issued share capital of Great Wall assuming all of the shareholders of ChinaCast elect to receive the Great Wall Shares and as only a potential substantial shareholder, the Group is not in a position to demand Great Wall to provide the necessary documents and information.

Although no accountants' report of Great Wall which relates to a financial period ended six months or less before the date of this circular has been extracted in this circular, the annual report of Great Wall for the two years ended 31 December 2004 and the interim report for six months ended 30 June 2005 has been extracted in this circular.

Given that (i) the information has been prepared based on the US accounting standard and the differences between US accounting standard and Hong Kong accounting standard has been set out under the section headed "Principal differences between the generally accepted accounting principles in the US and in Hong Kong" in this Appendix; and (ii) the latest management accounts which relates to the period for the six months ended 30 June 2005 has been including in this circular, the Directors consider that sufficient information has been included in this circular.

The Company has applied to the Stock Exchange for a waiver of the requirement under Rule 14.69(4)(a) of the Listing Rules such that the accountants' report of Great Wall which relates to a financial period ended 6 months or less before the circular is issued need not be included in this circular and the accounting policies for the each of the two years ended 31 December 2003 and 31 December 2004 and the six months ended 30 June 2005 adopted will be based on the US accounting standard.

In replacement of the accountants' report of Great Wall, the following contents is included in this circular:

- (a) the name of the auditors of Great Wall;
- (b) the fact that Great Wall's financial statements for the three years ended 31 December 2004 have not been qualified;
- (c) the audited consolidated financial statements of Great Wall for the three years ended 31 December 2004 and the unaudited interim financial statements of Great Wall for the six months ended 30 June 2005 which are prepared in accordance with the US accounting standard;
- (d) the directors' report and auditors report of Great Wall as disclosed in the annual report of Great Wall for the year ended 31 December 2004;
- (e) a detailed explanation in respect of the difficulties in preparing a reconciliation of the financial figures of Great Wall from the US accounting standard to Hong Kong accounting standard;

- (f) a letter from the reporting accountants of the Company summarising the principal differences between the generally accepted accounting principles in the US and Hong Kong, in particular the major items in the accounts of Great Wall; and
- (g) a caution statement reminding the shareholders of the Company that the financial information of Great Wall which has prepared in the US accounting standard may have material differences in the financial information had it been prepared in accordance with generally accepted accounting principles in Hong Kong.

- (C) The auditors of Great Wall is Goldstein Golub Kessler LLP. Goldstein Golub Kessler LLP is an audit firm focused exclusively on providing attest services to public, public non-reporting, private and non-for-profit companies in the New York region and around the world.
- (D) Great Wall was incorporated on 20 August 2003. The financial statements of Great Wall for the two years ended 31 December 2004 have not been qualified by the auditors of Great Wall.
- (E) The following is the financial information of Great Wall for the year ended 31 December 2003 which is extracted from the complete filing of the annual report of Great Wall for the year 2003 on the website of the US Securities and Exchange Commission.

COMPANY DATA:

COMPANY CONFORMED NAME:	GREAT WALL ACQUISITION CORP
CENTRAL INDEX KEY:	0001261888
STANDARD INDUSTRIAL CLASSIFICATION:	BLANK CHECKS [6770]
IRS NUMBER:	200178991
STATE OF INCORPORATION:	DE
FISCAL YEAR END:	1231

FILING VALUES:

FORM TYPE:	10KSB
SEC ACT:	1934 Act
SEC FILE NUMBER:	000-50550
FILM NUMBER:	04721401

BUSINESS ADDRESS:

STREET 1:	660 MADISON AVENUE 15TH FLOOR
CITY:	NEW YORK
STATE:	NY
ZIP:	10021
BUSINESS PHONE:	2127530804

MAIL ADDRESS:

STREET 1:	660 MADISON AVENUE 15TH FLOOR
CITY:	NEW YORK
STATE:	NY
ZIP:	10021

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended: 31 December 2003

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number: 000-50550

GREAT WALL ACQUISITION CORPORATION

(Name of Small Business Issuer in Its Charter)

Delaware

(State of Incorporation)

(Small Business Issuer)

20-0178991

(I.R.S. Employer I.D. Number)

660 Madison Avenue, 15th Floor,

NY, NY

(Address of principal executive offices)

10021

(zip code)

(Issuer's Telephone Number, Including Area Code): **(212) 753-0804**

Securities Registered Pursuant To Section 12(b) Of The Act: None

Securities Registered Pursuant To Section 12(g) Of The Act:

**Units consisting of one share of Common Stock,
par value \$.0001 Per Share, and two Warrants
Common Stock, \$.0001 par value per share
Warrants to purchase shares of Common Stock**

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes [] No [X]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for the fiscal year ended 31 December 2003 were \$0.

As of 5 April 2004, the aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$21,089,603.

As of 5 April 2004, there were 5,515,975 shares of Common Stock, \$.0001 par value per share, outstanding.

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

Documents Incorporated by Reference: The information contained in the registrant's prospectus filed on 19 March 2004 pursuant to Rule 424(b)(3) (SEC File No. 333-110906) is incorporated into certain portions of Parts I, II and III as disclosed herein.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Great Wall Acquisition Corporation is a blank check company organized for the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with a company having its primary operations in the People's Republic of China ("PRC"). On 23 March 2004, we consummated our initial public offering of 4,000,000 units with each unit consisting of one share of our common stock and two warrants, each to purchase one share of our common stock at an exercise price of \$5.00 per share. On 30 March 2004, we sold an additional 515,975 units which were subject to the underwriters over-allotment option. The units sold in these offerings were sold at an offering price of \$6.00 per unit, generating gross proceeds of \$27,095,850. For more information regarding our initial public offering, see the section entitled "Recent Public Offering" contained within Part II, Item 5 below.

Although our efforts in identifying a prospective target business will not be limited to a particular industry, we initially intend to focus our search on target businesses in the PRC that are engaged in the technology, media or telecommunications industries. Opportunities for market expansion have emerged for businesses with operations in the PRC in these and other industries due to various changes in the PRC's political, economic and social policies as well as other fundamental changes affecting the PRC and its neighboring countries. For further details regarding our business and risks associated with our acquiring a company in the PRC, see the sections entitled "Risk Factors" and "Proposed Business" contained in our prospectus dated 17 March 2004 incorporated by reference herein.

ITEM 2. DESCRIPTION OF PROPERTY

We maintain our executive offices at 660 Madison Avenue, 15th Floor, New York, New York pursuant to an agreement with Sherleigh Associates LLC. We pay Sherleigh Associates a monthly fee of \$500 which is for general and administrative services including office space, utilities and secretarial support. For further details regarding our facilities, see the section entitled “Proposed Business – Facilities” contained in our prospectus dated 17 March 2004 incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II**ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS****Market Information**

Our units, common stock and warrants are traded on the Over-the-Counter Bulletin Board under the symbols GWAQU, GWAQ and GWAQW, respectively. The following table sets forth the range of high and low closing bid prices for the units, common stock and warrants for the periods indicated since such units commenced public trading on 17 March 2004 and since such common stock and warrants commenced public trading on 30 March 2004. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

	Units		Common Stock		Warrants	
	High	Low	High	Low	High	Low
2004:						
First Quarter	6.15	6.00	4.90	4.50	0.70	0.60
Second Quarter*	6.00	6.00	4.67	4.63	0.66	0.60

* Through 5 April 2004

Holders

As of 5 April 2004, there were six holders of record of our units, one holder of record of our common stock and one holder of record of our warrants.

DIVIDENDS

We have not paid any dividends on our common stock to date and do not intend to pay dividends prior to the completion of a business combination. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of our then board of directors. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board does not anticipate declaring any dividends in the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES AND USE OF PROCEEDS

In September 2003, we sold the following shares of common stock without registration under the Securities Act of 1933, as amended:

Stockholders	Number of Shares
Kin Shing Li	430,000
Justin Tang	430,000
Dr. Xiaolin Zhong	50,000
Jack Silver	50,000
Dr. Ya-qin Zhang	40,000

Such shares were issued in September 2003 in connection with our organization pursuant to the exemption from registration contained in Section 4(2) of the Securities Act as they were sold to sophisticated, wealthy individuals. The shares issued to the individuals above were sold at an average purchase price of approximately \$0.05 per share. In January 2004, we authorized a two-for-one stock split of our common stock, effectively lowering the purchase price to approximately \$0.025 per share. The number of shares referred to above have been adjusted to reflect the foregoing stock split.

RECENT PUBLIC OFFERING

On 23 March 2004, we closed our initial public offering of 4,000,000 units with each unit consisting of one share of our common stock and two warrants, each to purchase one share of our common stock at an exercise price of \$5.00 per share. The units were sold at an offering price of \$6.00 per unit, generating gross proceeds of \$24,000,000. The representative of the underwriters in the offering was Broadband Capital Management LLC. The securities sold in the offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-110906). The Securities and Exchange Commission declared the registration statement effective on 17 March 2004.

We paid a total of \$1,680,000 in underwriting discounts and commissions, and approximately \$1,018,000 has been or will be paid for costs and expenses related to the offering, including \$720,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds.

After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were approximately \$21,300,000, of which \$20,400,000 was deposited into a trust fund and the remaining proceeds are available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses.

On 30 March 2004, the underwriters exercised their over-allotment option to sell an additional 515,975 units. We paid a total of \$216,709.50 in underwriting discounts and commissions, and approximately \$118,000 has been or will be paid for costs and expenses related to the offering, including \$92,875.50 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the over-allotment option were approximately \$2,760,000, all of which was deposited into the trust fund.

For further details regarding our future use of proceeds from our initial public offering, see the section entitled "Use of Proceeds" contained in our prospectus dated 17 March 2004 incorporated by reference herein.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

We were formed on 20 August 2003 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with a company having its primary operations in the People's Republic of China. We intend to utilize cash derived from the proceeds of our recently completed public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination. For further details regarding our plan of operations, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our prospectus dated 17 March 2004 incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS

See the Financial Statements and Notes thereto, together with the report thereon of Goldstein Golub Kessler LLP, dated 20 February 2004 contained in our prospectus dated 17 March 2004 incorporated by reference herein.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL CHANGES

None.

ITEM 8A. CONTROL AND PROCEDURES

An evaluation of the effectiveness of our disclosure controls and procedures as of 31 December 2003 was made under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on that evaluation, they concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of this evaluation, there were no significant changes in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect our internal controls over financial reporting.

PART III**ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT****Directors And Executive Officers**

Our current directors and executive officers are as follows:

Name	Age	Position
Kin Shing Li	45	Chairman of the Board of Directors, Chief Executive Officer and Secretary
Dr. Ya-qin Zhang	37	Director
Dr. Xiaolin Zhong	38	Director

KIN SHING LI has been our chairman of the board and chief executive officer since September 2003 and our secretary since January 2004. Mr. Li has been the chairman of International Elite Limited, one of the largest centralized single-location outsourcing customer service call centers in the PRC, since he founded the business in 1999. Since March 2003, he has been a director and shareholder of PacificNet Communications Limited – Macao Commercial Offshore, a joint venture between International Elite and PacificNet Management Limited, a wholly-owned subsidiary of PacificNet Inc., a public

Nasdaq listed provider of information technology consulting, system integration and information technology solutions in Asia. From October 1997 to September 1999, Mr. Li was a member of the board of directors of UTStarcom, Inc., a public Nasdaq-listed company that designs, manufactures, and markets broadband, narrowband, wireless access technology, and was the chief executive officer of one of its subsidiaries, UTStarcom Hong Kong Limited. In January 1997, Mr. Li founded Directel Communications Limited, a GSM sales and service company and has acted as its chairman since that date. In 1994, he founded China-HongKong Telelink Company Limited, the first roaming paging service provider between Hong Kong and the PRC and acted as its chairman until he sold it to UTStarcom Inc. in 1997. Mr. Li founded his first call center in China in 1988 as the founder and general manager of the 81st Army Paging Company in Guangzhou, China.

DR. YA-QIN ZHANG has been a member of our board of directors since September 2003. Dr. Zhang joined Microsoft Corporation in January 1999 as managing director and chief scientist of Microsoft Research Asia, Microsoft's basic research facility in the Asia-Pacific region, and has acted as its managing director since July 2000. Dr. Zhang has also served as a director of Sohu.com, Inc., a public Nasdaq-listed Chinese language portal, since September 2003. Prior to joining Microsoft, Dr. Zhang was director of Multimedia Technology Laboratory of Sarnoff Corporation from October 1994 to January 1999. From January 1990 to October 1994, Dr. Zhang was a senior scientist of GTE Laboratories Inc. in Waltham, MA. He has also been a fellow of the Institute of Electrical and Electronic Engineers, Inc., a non-profit, technical professional association of more than 380,000 individual members in 150 countries, since November 1997. Dr. Zhang is one of the leading scientists in the area of digital video, Internet, multimedia, wireless and satellite communications. He has authored and co-authored over 200-refereed papers in leading international conferences and journals. Dr. Zhang received his Ph.D in electrical engineering from George Washington University and his B.S. and M.S. in electrical engineering from the University of Science and Technology of China.

DR. XIAOLIN ZHONG has been a member of our board of directors since September 2003. Since December 2001, Dr. Zhong has been a vice president of JAFCO Investment (Hong Kong), primarily responsible for venture investment in information technology and communication technology companies in the PRC. JAFCO is a public Tokyo Stock Exchange-listed international venture capital fund manager. From November 1999 to November 2001, Dr. Zhong was an investment manager of Transpac Capital Ltd. in Hong Kong. During his term with Transpac, Dr. Zhong was a member of the information technology, communication and Internet technologies investment group. He was also responsible for setting-up Transpac's operations in Beijing, China. From January 1996 to November 1999, Dr. Zhong acted in various executive capacities in corporate strategic investment and M&A for China Aerospace International Holdings Ltd., a public Hong Kong Stock Exchange-listed company, as well as its publicly listed telecom arm. Dr. Zhong received

a Ph.D. in robotics and artificial intelligence from the Napier University in Edinburgh, UK, an M.B.A. from the Ivey School of Business, the University of Western Ontario, Canada, and a B.S. and M.S. in engineering from the Huazhong University of Science & Technology (HUST) in Wuhan, China.

Our board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of Dr. Ya-qin Zhang, will expire at our first annual meeting of stockholders. The term of office of the second class of directors, consisting of Dr. Xiaolin Zhong, will expire at the second annual meeting. The term of office of the third class of directors, consisting of Kin Shing Li, will expire at the third annual meeting.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. Because we did not consummate our initial public offering until after 31 December 2003, no reports were required to be filed during the year ended 31 December 2003.

Code Of Ethics

We have not yet adopted a code of ethics. However, we intend to adopt, during fiscal 2004, a code of ethics that complies with the applicable guidelines issued by the SEC.

ITEM 10. EXECUTIVE COMPENSATION

Commencing on 17 March 2004 and ending upon the acquisition of a target business, we incur a fee from Sherleigh Associates LLC of \$500 per month for providing us with office space and certain office and secretarial services. Jack Silver, one of our founding stockholders, is the principal investor and manager of Sherleigh Associates. Other than this \$500 per-month fee, no compensation of any kind, including finders and consulting fees, will be paid to any of our founding stockholders, including all of our officers and directors, or any of their respective affiliates, for services rendered prior to or in connection with a business combination. However, our existing stockholders will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged.

Since our formation, we have not granted any stock options or stock appreciation rights or any awards under long-term incentive plans.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of 5 April 2004 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- each of our officers and directors; and
- all our officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership	Percent of Class
Kin Shing Li	430,000	7.8%
Justin Tang ⁽²⁾	430,000	7.8%
Jack Silver ⁽³⁾	350,000 ⁽⁴⁾	6.3%
Dr. Xiaolin Zhong	50,000	*
Dr. Ya-qin Zhang	40,000	*
All directors and executive officers as a group (3 individuals)	520,000	9.4%

* Less than 1%.

(1) Unless otherwise indicated, the business address of each of the following is 660 Madison Avenue, 15th Floor, New York, New York 10021.

(2) Mr. Tang's business address is c/o eLong, Inc., Union Plaza, Suite 604, 20 Chaoyang Men Wai Ave., Beijing 100020, China.

(3) The business address of Mr. Silver is c/o Sherleigh Associates LLC (d/b/a Star Capital), 660 Madison Avenue, New York, New York 10021.

- (4) Includes (i) 50,000 shares of common stock held by Sherleigh Associates Inc. Profit Sharing Plan, of which Mr. Silver is the trustee, and (ii) 250,000 shares of common stock held by Sherleigh Associates LLC, of which Mr. Silver is the principal investor and manager. Does not include an aggregate of 600,000 shares of common stock issuable upon exercise of warrants held by Sherleigh Associates Inc. Profit Sharing Plan and Sherleigh Associates which are not currently exercisable and which will not become exercisable within the next 60 days. The foregoing information was derived from a Schedule 13G filed with the SEC on 26 March 2004.

All of the shares of our outstanding common stock owned by our stockholders prior to our initial public offering have been placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, until the earliest of:

- 17 March 2007;
- our liquidation; or
- the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of our stockholders having the right to exchange their shares of common stock for cash, securities or other property subsequent to our consummating a business combination with a target business.

During the escrow period, the holders of these shares will not be able to sell their securities, but will retain all other rights as our stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow. If we are unable to effect a business combination and liquidate, none of our initial stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to our initial public offering.

Kin Shing Li and Justin Tang may be deemed to be our “parents” and “promoters,” as these terms are defined under the Federal securities laws.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For a complete discussion regarding certain relationships and related transactions, see the section entitled “Certain Transactions” contained in our prospectus dated 17 March 2004 incorporated by reference herein.

ITEM 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K

(a) The following Exhibits are filed as part of this report.

Exhibit No.	Description
3.1	Certificate of Incorporation. ⁽¹⁾
3.2	By-laws. ⁽¹⁾
4.1	Specimen Unit Certificate. ⁽¹⁾
4.2	Specimen Common Stock Certificate. ⁽¹⁾
4.3	Specimen Warrant Certificate. ⁽¹⁾
4.4	Form of Unit Purchase Option granted to Broadband Capital Management LLC. ⁽¹⁾
4.5	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant. ⁽¹⁾
10.1	Letter Agreement among the Registrant, Broadband Capital Management LLC and Justin Tang. ⁽¹⁾
10.2	Letter Agreement among the Registrant, Broadband Capital Management LLC and Kin Shing Li. ⁽¹⁾
10.3	Form of Letter Agreement among the Registrant, Broadband Capital Management LLC and each of Dr. Ya-qin Zhang and Dr. Xiaolin Zhong. ⁽¹⁾
10.4	Letter Agreement among the Registrant, Broadband Capital Management LLC and Jack Silver. ⁽¹⁾
10.5	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant. ⁽¹⁾
10.6	Form of Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders. ⁽¹⁾
10.7	Form of Letter Agreement between Sherleigh Associates LLC and Registrant regarding administrative support. ⁽¹⁾

- | | |
|-------|---|
| 10.8 | Form of Promissory Note, dated as of 6 October 2003, in the principal amount of \$17,500 issued to each of Kin Shing Li and Justin Tang. ⁽¹⁾ |
| 10.9 | Registration Rights Agreement among the Registrant and the Initial Stockholders. ⁽¹⁾ |
| 10.10 | Warrant Purchase Agreement among Kin Shing Li, Justin Tang and Broadband Capital Management LLC. ⁽¹⁾ |
| 31 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(1) *Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-110906)*

(b) Reports on Form 8-K

None during period ended 31 December 2003.

Form 8-K filed on 23 March 2004, including Item 5 and Item 7 (Audited Financial Statements for the periods from 20 August 2003 (inception) to 23 March 2004, 1 January 2004 to 23 March 2004 and 20 August 2003 (inception) to 31 December 2003)

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The firm of Goldstein Golub Kessler LLP acts as our principal accountant. The following is a summary of fees paid to our principal accountant for services rendered.

AUDIT FEES

We did not pay any fees to our principal accountant during the fiscal year ended 31 December 2003. We have been billed \$25,000 for the services our principal accountant performed in connection with our initial public offering, including the financial statements included in the Current Report on Form 8-K filed with the Securities and Exchange Commission on 23 March 2004.

AUDIT-RELATED FEES

During 2003, our principal accountant did not render assurance and related services reasonably related to the performance of the audit or review of financial statements.

TAX FEES

During 2003, our principal accountant did not render services to us for tax compliance, tax advice and tax planning.

ALL OTHER FEES

During 2003, there were no fees billed for products and services provided by the principal accountant other than those set forth above.

AUDIT COMMITTEE APPROVAL

We currently do not have an audit committee.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 7th day of April 2004.

GREAT WALL ACQUISITION CORPORATION

Kin Shing Li
Chairman of the Board
(Principal Executive Officer),
Chief Executive Officer and Secretary

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
Kin Shing Li	Chairman of the Board <i>(Principal Executive Officer and Principal Financial and Accounting Officer)</i>	7 April 2004
Dr. Ya-qin Zhang	Director	7 April 2004
Dr. Xiaolin Zhong	Director	7 April 2004

EXHIBIT 31

**FORM OF CERTIFICATION
PURSUANT TO RULE 13A-14 AND 15D-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

CERTIFICATIONS

I, Kin Shing Li, certify that:

1. I have reviewed this annual report on Form 10-KSB of Great Wall Acquisition Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

7 April 2004

Kin Shing Li
Chairman of the Board,
Chief Executive Officer and Secretary

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Great Wall Acquisition Corporation (the “Company”) on Form 10-KSB for the period ended 31 December 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

7 April 2004

Kin Shing Li
*Chairman of the Board,
Chief Executive Officer and Secretary*

- (F) The following is the financial information of Great Wall for the year ended 31 December 2004 which is extracted from the complete filing of the annual report of Great Wall for the year 2004 on the website of the US Securities and Exchange Commission.

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-KSB

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended: 31 December 2004

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File No. 000-50550

GREAT WALL ACQUISITION CORPORATION
(Name of Small Business Issuer in its Charter)

Delaware
(State of Incorporation)
(Small Business Issuer)

20-0178991
(I.R.S. Employer Identification No.)

660 Madison Avenue, 15th Floor
New York, NY
(Address of principal executive offices)

10021
(Zip Code)

Issuer's telephone number, including Area Code: (212) 753-0804

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

**Units consisting of one share of Common Stock, par value \$.0001 per share, and
two Warrants to purchase shares of Common Stock, par value \$.0001 per share**

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes [] No [X]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for the fiscal year ended 31 December 2004 were \$0.

As of 15 March 2005, the aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$22,567,008.

As of 15 March 2005, there were 5,515,975 shares of common stock, \$.0001 par value per share, outstanding.

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

Documents incorporated by reference: None.

TABLE OF CONTENTS

	<i>Page</i>
PART I.	
Item 1. Description of Business	1
Item 2. Description of Property	16
Item 3. Legal Proceedings	16
Item 4. Submission of Matters to a Vote of Security Holders	16
PART II.	
Item 5. Market for Common Equity and Related Stockholder Matters	16
Item 6. Management's Discussion and Analysis or Plan of Operation	17
Item 7. Financial Statements	19
Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	19
Item 8A. Controls and Procedures	19
Item 8B. Other Information	19
PART III.	
Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(A) of the Exchange Act.	20
Item 10. Executive Compensation	21
Item 11. Security Ownership of Certain Beneficial Owners and Management	21
Item 12. Certain Relationships and Related Transactions	22
Item 13. Exhibits	23
Item 14. Principal Accountant Fees and Services	24
INDEX TO FINANCIAL STATEMENTS	F-1

PART I.**Item 1. Description of Business**

Great Wall Acquisition Corporation is a blank check company organized on 20 August 2003 for the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with a company having its primary operations in the People's Republic of China ("PRC"). On 23 March 2004, we consummated our initial public offering of 4,000,000 units with each unit consisting of one share of our common stock and two warrants. Each warrant will entitle the holder to purchase from us one share of our common stock at an exercise price of \$5.00 per share. On 30 March 2004, we sold an additional 515,975 units which were subject to the underwriters over-allotment option. The units sold in these offerings were sold at an offering price of \$6.00 per unit, generating gross proceeds of \$27,095,850. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were approximately \$23,986,000, of which approximately \$23,161,000 was deposited into a trust fund and the remaining proceeds of \$825,000 became available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing operating expenses. From 20 August 2003 (the date of our inception) through 31 December 2004, we have used approximately \$238,000 of the net proceeds that were not deposited into the trust fund to pay operating expenses. The net proceeds deposited into the trust fund remain on deposit in the trust fund earning interest. As of 31 December 2004, there was approximately \$23,366,000 held in the trust fund.

We believe that the PRC represents both a favorable environment for making acquisitions and an attractive operating environment for a target business for several reasons, including:

- prolonged economic expansion within the PRC, including gross domestic product growth of approximately 9% on average over the last 25 years, with, according to China's National Bureau of Statistics, growth of 9.5% in 2004;
- attractive valuations for target businesses within the PRC;
- increased government focus within the PRC on privatizing assets, improving foreign trade and encouraging business and economic activity;
- access to a highly trained and educated workforce;
- favorable labor rates and efficient, low-cost manufacturing capabilities;
- the lack of development and activity of the public equity markets in the PRC; and
- the recent entry of the PRC into the World Trade Organization, the sole global international organization dealing with the rules of trade between nations, which may lead to a reduction on tariffs for industrial products, a reduction in trade restrictions and an increase in trading with the United States.

Proposed industries

Although our efforts in identifying a prospective target business are not limited to a particular industry, we initially focused our search on target businesses in the PRC that are engaged in the technology, media or telecommunications industries. We have recently expanded our search for target businesses to include entities outside of the technology, media or telecommunications industries. Any target business outside of these industries will be subject to certain of the risks described in this annual report on Form 10-KSB as well as other risks, including government regulations for a particular industry, that we have not described in detail in this annual report. For more information, see the risk factor entitled “Since we have not currently selected any target business with which to complete a business combination, we are unable to currently ascertain the merits or risks of the business’ operations.”

Government regulations*Government regulations relating to our proposed industries*

There may be specific regulations in China relating to foreign ownership of a company in respect of which we propose to complete a business combination. We initially focused on target businesses in the technology, media and telecommunications industries, each of which industries are subject to specific regulatory frameworks in the PRC. We have recently expanded our search for target businesses outside of these industries, which may or may not be not subject to regulatory frameworks in the PRC. In the event we complete a business combination with a target business in another industry subject to a regulatory framework in the PRC, we will be subject to PRC laws and regulations, compliance with which may be time-consuming, costly, and subject us to various risks and restrictions on how we operate our business. Even if a target business is not in an industry currently subject to regulations in the PRC, such target business and industry could be impacted by new legislation in the PRC. We cannot predict the timing or the effect of future developments in the regulatory framework of any industry in the PRC at this time. If new laws or regulations forbid foreign investment in any of these industries, they could severely impair our ability to complete a business combination with a target business in those sectors.

Government regulations relating to foreign exchange controls

In the PRC, the State Administration for Foreign Exchange (“SAFE”) regulates the conversion of the Renminbi, China’s currency, into foreign currencies. Over the past several years, China has relaxed its foreign exchange controls over account transactions. As a result of this relaxation, foreign investment enterprises (“FIEs”) are no longer required to obtain prior approval before entering into certain transactions but are required to apply to the SAFE for “Foreign Exchange Registration Certificates for FIEs.” Following a business combination, we will likely be an FIE as a result of our ownership structure.

With such registration certificates, which need to be renewed annually, FIEs are allowed to open foreign currency accounts including a “basic account” and “capital account.” Currency translation within the scope of the “basic account,” such as remittance of foreign currencies for payment of dividends, can be effected without requiring the approval of the SAFE. However, conversion of currency in the “capital account,” including capital items such as direct investment, loans and securities, still require approval of the SAFE. This prior approval may delay or impair our ability to operate following a business combination.

Government regulations relating to taxation

Under the PRC’s current tax laws, regulations and rulings, companies are exempt from paying withholding taxes with respect dividends paid to stockholders outside of the PRC. However, if the foregoing exemption is removed in the future following a business combination, we may be required to deduct certain amounts from dividends we pay to our shareholders to pay corporate withholding taxes. The current rate imposed on corporate withholding taxes is 20%, or 10% for individuals and entities of those countries that entered into the Protocol of Avoidance of Double Taxation with the PRC.

Effecting a business combination

General

Although substantially all of the net proceeds of our initial public offering are to be applied generally toward effecting a business combination, the proceeds are not otherwise being designated for any more specific purposes. A business combination may involve the acquisition of, or merger with, a company which does not need substantial additional capital but which desires to establish a public trading market for its shares in the United States, while avoiding what it may deem to be adverse consequences of undertaking a public offering itself. These include time delays, significant expense, loss of voting control and compliance with various Federal and state securities laws. In the alternative, we may seek to consummate a business combination with a company that may be financially unstable or in its early stages of development or growth.

We have not identified a target business

We have conducted extensive discussions with target businesses regarding potential business combinations. In connection with these discussions, we have performed due diligence and incurred consulting, legal, accounting and other costs. To date, however, we have not selected a target business with which to enter into a business combination. Accordingly, there is no basis for our stockholders to evaluate the possible merits or risks of a target business with which we may ultimately complete a business combination. To the extent we effect a business combination with a financially unstable company or an entity in its early stage of development or growth, including entities without established records of sales or earnings, we may be affected by numerous risks inherent in the business and operations of financially unstable and early stage or potential emerging growth companies. Although our management will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all significant risk factors.

Sources of target businesses

Target business candidates have and will continue to be brought to our attention from various unaffiliated sources, including securities broker-dealers, investment bankers, venture capitalists, bankers and other members of the financial community, who may present solicited or unsolicited proposals. Our officers and directors and their affiliates may also bring to our attention target business candidates. Our existing sole director and executive officer or any other Initial Stockholders or any entity with which they are affiliated will not be eligible to receive any finder's fee or other compensation for services rendered to us prior to or in connection with the consummation of a business combination.

Selection of a target business and structuring of a business combination

Subject to the requirement that our initial business combination must be with a target business with a fair market value that is at least 80% of our net assets at the time of such acquisition, our management will have virtually unrestricted flexibility in identifying and selecting a prospective target business. We initially focused our search on target businesses in the PRC that were engaged in the technology, media or telecommunications industries. We have now expanded our search to include companies in other industries in the PRC. In evaluating a target business, our management has and will continue to consider, among other factors, the following:

- financial condition and results of operation;
- growth potential;
- experience and skill of management and availability of additional personnel;
- capital requirements;
- competitive position;
- stage of development of the products, processes or services;
- degree of current or potential market acceptance of the products, processes or services;
- proprietary features and degree of intellectual property or other protection of the products, processes or services;
- regulatory environment of the industry; and
- costs associated with effecting the business combination.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular business combination have been and will continue to be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our management in effecting a business combination consistent with our business objective.

The time and costs required to select and evaluate a target business and to structure and complete the business combination cannot presently be ascertained with any degree of certainty. In our evaluations of prospective target businesses, we have conducted extensive due diligence reviews, including meeting with the incumbent management of such target businesses, inspecting their facilities, as well as reviewing their financial and other information. We intend to continue these activities in order to find a suitable target business with which to enter into a business combination.

Fair Market Value of Target Business

The initial target business that we acquire must have a fair market value equal to at least 80% of our net assets at the time of such acquisition. The fair market value of such business will be determined by our board of directors based upon standards generally accepted by the financial community, such as actual and potential sales, earnings and cash flow and book value. If our board is not able to independently determine that the target business has a sufficient fair market value, we will obtain an opinion from an unaffiliated, independent investment banking firm which is a member of the National Association of Securities Dealers, Inc. with respect to the satisfaction of such criteria. Since any opinion, if obtained, would merely state that fair market value meets the 80% of net assets threshold, it is not anticipated that copies of such opinion would be distributed to our stockholders, although copies will be provided to stockholders who request it. We will not be required to obtain an opinion from an investment banking firm as to the fair market value if our board of directors independently determines that the target business does have sufficient fair market value.

Probable lack of business diversification

While we may seek to effect business combinations with more than one target business, our initial business combination must be with a target business which satisfies the minimum valuation standard at the time of such acquisition, as discussed above. Consequently, it is probable that we will have the ability to effect only a single business combination. Accordingly, the prospects for our success may be entirely dependent upon the future performance of a single business. Unlike other entities which may have the resources to complete several business combinations of entities operating in multiple industries or multiple areas of a single industry, it is probable that we will not have the resources to diversify our operations or benefit from the possible spreading of risks or offsetting of losses. By consummating a business combination with only a single entity, our lack of diversification may

- subject us to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to a business combination, and

- result in our dependency upon the development or market acceptance of a single or limited number of products, processes or services.

Limited ability to evaluate the target business' management

Although we have and will continue to closely scrutinize the management of a prospective target business when evaluating the desirability of effecting a business combination, we cannot assure you that our assessment of the target business' management will prove to be correct. In addition, we cannot assure you that the future management will have the necessary skills, qualifications or abilities to manage a public company. Furthermore, the future role, if any, of our chairman of the board and chief executive officer, currently our sole director and executive officer, and/or any director or executive officer we may appoint in the future, in the target business cannot presently be stated with any certainty. While it is possible our current sole director, or any director we may appoint in the future, will remain associated in some capacity with us following a business combination, it is unlikely that any of them will devote their full efforts to our affairs subsequent to a business combination. Moreover, we cannot assure you that our current director, or any director we may appoint in the future, will have significant experience or knowledge relating to the operations of the particular target business.

Following a business combination, we may seek to recruit additional managers to supplement the incumbent management of the target business. We cannot assure you that we will have the ability to recruit additional managers, or that additional managers will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

Opportunity for stockholder approval of business combination

Prior to the completion of a business combination, we will submit the transaction to our stockholders for approval, even if the nature of the acquisition is such as would not ordinarily require stockholder approval under applicable state law. In connection with seeking stockholder approval of a business combination, we will furnish our stockholders with proxy solicitation materials prepared in accordance with the Securities Exchange Act of 1934, which, among other matters, will include a description of the operations of the target business and audited historical financial statements of the business.

In connection with the vote required for any business combination, all of our initial stockholders, which stockholders purchased shares of our common stock prior to our initial public offering and which includes our chairman of the board and chief executive officer and other former members of our board of directors (the "Initial Stockholders"), have agreed to vote their respective shares of common stock owned by them immediately prior to our initial public offering in accordance with the vote of the public stockholders owning a majority of the shares of our common stock sold in our initial public offering. This voting arrangement shall not apply to shares included in units purchased in the open market by any of our Initial Stockholders. We will proceed with the business combination only if the public stockholders, who own at least a majority of the shares of common stock

sold in our initial public offering, vote in favor of the business combination and less than 20% of the shares held by these public stockholders are converted pursuant to the conversion rights described in the next paragraph.

Conversion rights

At the time we seek stockholder approval of any business combination, we will offer each public stockholder the right to have his or her shares of common stock converted to cash if he or she votes against the business combination and the business combination is approved and completed. The actual per-share conversion price will be equal to the amount in the trust fund, inclusive of any interest, as of the record date for determination of stockholders entitled to vote on the business combination, divided by the number of shares sold in our initial public offering. Without taking into account any interest earned on the trust fund, the initial per-share conversion price would be \$5.10, or \$0.90 less than the per-unit offering price of \$6.00. An eligible stockholder may request conversion at any time after the mailing to our stockholders of the proxy statement and prior to the vote taken with respect to a proposed business combination at a meeting held for that purpose, but the request will not be granted unless the stockholder votes against the business combination and the business combination is approved and completed. Any request for conversion, once made, may be withdrawn at any time up to the date of the meeting. It is anticipated that the funds to be distributed to stockholders entitled to convert their shares who elect conversion will be distributed promptly after completion of a business combination. Any public stockholder who converts stock into her share of the trust fund still has the right to exercise the warrants that she received as part of the units. We will not complete any business combination if public stockholders, owning 20% or more of the shares sold in our initial public offering, exercise their conversion rights.

Liquidation if no business combination

If we do not complete a business combination by 23 September 2005, or by 23 March 2006 if the extension criteria described below have been satisfied, we will be dissolved and will distribute to all of our public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the trust fund, inclusive of any interest, plus any remaining net assets. Following our dissolution, we would no longer exist as a corporation. Our Initial Stockholders have waived their rights to participate in any liquidation distribution with respect to shares of common stock owned by them immediately prior to our public offering. There will be no distribution from the trust fund with respect to our warrants.

If we were to expend all of the net proceeds of our initial public offering, other than the proceeds deposited in the trust fund, and without taking into account interest, if any, earned on the trust fund, the initial per-share liquidation price would be \$5.10, or \$0.90 less than the per-unit offering price of \$6.00. The proceeds deposited in the trust fund could, however, become subject to the claims of our creditors which could be prior to the claims of our public stockholders. We cannot assure you that the actual per-share liquidation price will not be less than \$5.10, plus interest, due to claims of creditors. Kin Shing Li, our chairman of the board and chief executive officer, and Justin Tang, one of our principal

stockholders and an Initial Stockholder, have each agreed pursuant to an agreement with us and Broadband Capital Management that, if we liquidate prior to the consummation of a business combination, they will be personally liable to pay debts and obligations to vendors or other entities that are owed money by us for services rendered or products sold to us in excess of the net proceeds of our initial public offering not held in the trust account. We cannot assure you, however, that Mr. Li and Mr. Tang would be able to satisfy those obligations.

If we enter into either a letter of intent, an agreement in principle or a definitive agreement to complete a business combination prior to 23 September 2005, but are unable to complete the business combination by such date, then we will have an additional six months in which to complete the business combination contemplated by the letter of intent, agreement in principle or definitive agreement. If we are unable to do so by 23 March 2006, we will then liquidate. Upon notice from us, the trustee of the trust fund will commence liquidating the investments constituting the trust fund and will turn over the proceeds to our transfer agent for distribution to our public stockholders. We anticipate that our instruction to the trustee would be given promptly after the expiration of the applicable time periods.

Our public stockholders shall be entitled to receive funds from the trust fund only in the event of our liquidation or if the public stockholders seek to convert their respective shares into cash upon a business combination which the stockholder voted against and which is actually completed by us. In no other circumstances shall a stockholder have any right or interest of any kind to or in the trust fund.

Competition

In identifying, evaluating and selecting a target business with which to enter into a business combination, we have encountered competition from other entities having a business objective similar to ours. We anticipate that competition from other entities will continue as we seek to identify, evaluate and select other target businesses. Many of these entities with which we have competed and will compete are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us and our financial resources will be relatively limited as compared to those of many of these competitors. While we believe there are numerous potential target businesses that we could acquire with the net proceeds of our initial public offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of a target business. Further:

- our obligation to seek stockholder approval of a business combination may delay the completion of a transaction;
- our obligation to convert into cash shares of common stock held by our public stockholders in certain instances may reduce the resources available to us for a business combination; and

- our outstanding warrants and options, and the future dilution they potentially represent, may not be viewed favorably by certain target businesses.

Any of these obligations may place us at a competitive disadvantage in successfully negotiating a business combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately-held entities having a similar business objective as us in acquiring a target business with significant growth potential on favorable terms.

If we succeed in effecting a business combination, there will be, in all likelihood, intense competition from competitors of the target business in the PRC and elsewhere. We cannot assure you that, subsequent to a business combination, we will have the resources or ability to compete effectively.

Employees

Kin Shing Li, our chairman of the board and chief executive officer, is our sole director and executive officer. Mr. Li is not obligated to contribute any specific number of hours per week and he devotes only as much time as he deems necessary to our affairs. The amount of time he will devote in any time period will vary based on the availability of suitable target businesses to investigate, although he is expected to devote an average of approximately ten hours per week to our business. We do not have and do not intend to have any full time employees prior to the consummation of a business combination.

Risk Factors

In addition to the other information in this annual report on Form 10-KSB, our business is subject to numerous risks which should be considered carefully in evaluating our business and prospects.

We are a development stage company with no operating history and accordingly, you will have no basis upon which to evaluate our ability to achieve our business objective.

We are a development stage company with no operating results to date. Since we do not have an operating history, you will have no basis upon which to evaluate our ability to achieve our business objective, which is to acquire a company having its primary operations in the PRC. We will not generate any revenues (other than interest income on the proceeds of our initial public offering) until, at the earliest, after the consummation of a business combination.

If we are forced to liquidate before a business combination, our public stockholders will receive less than \$6.00 per share upon distribution of the trust fund and our warrants will expire worthless.

If we are unable to complete a business combination and are forced to liquidate our assets, the per-share liquidation distribution will be less than \$6.00 because of the expenses of our initial public offering, our general and administrative expenses and the costs of seeking a business combination. Furthermore, there will be no distribution with respect to our outstanding warrants and, accordingly, the warrants will expire worthless if we liquidate before the completion of a business combination.

You will not be entitled to protections normally afforded to investors of blank check companies.

Since the net proceeds of our initial public offering are to be used to complete a business combination with a target business that has not been identified, we may be deemed to be a “blank check” company under the United States securities laws. However, since we have net tangible assets in excess of \$5,000,000 and our units were offered at an initial price of \$6.00 per unit, we were and are exempt from rules promulgated by the SEC to protect investors of blank check companies such as Rule 419. Accordingly, investors will not be afforded the benefits or protections of those rules. Because we are not subject to Rule 419, we have a longer period of time to complete a business combination in certain circumstances.

If third parties bring claims against us, the proceeds held in trust could be reduced and the per-share liquidation price received by stockholders will be less than \$5.10 per share.

Our funds in trust may not be protected from third party claims against us. The proceeds held in trust could be subject to claims which could take priority over the claims of our public stockholders. We cannot assure you that the per-share liquidation price will not be less than \$5.10, plus interest, due to claims of creditors. If we liquidate before the completion of a business combination, Kin Shing Li, our chairman of the board and chief executive officer, and Justin Tang, one of our principal stockholders and an Initial Stockholder, will be personally liable under certain circumstances to ensure that the proceeds in the trust fund are not reduced by the claims of various vendors or other entities that are owed money by us for services rendered or products sold to us. However, we cannot assure you that Messrs. Li and Tang will be able to satisfy those obligations.

Since we have not currently selected any target business with which to complete a business combination, we are unable to currently ascertain the merits or risks of the business' operations.

Since we have not yet entered into an agreement in principle or a definitive agreement with a target business with which we will seek to complete a business combination, our stockholders have no current basis to evaluate the possible merits or risks of the target business' operations. To the extent we complete a business combination with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. In addition, to the extent we complete a business combination with a company that is not engaged in the technology, media or telecommunications industries, we may face other risks not described in this annual report, including, but not limited to, risks associated with government regulations,

environmental regulations, insurance regulations and other risks not known to us at this time. Although our management will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors. We also cannot assure you that an investment in our units, common stock or warrants will not ultimately prove to be less favorable to our stockholders than a direct investment, if an opportunity were available, in a target business.

The PRC has enacted regulations for various industry segments to prohibit or restrict foreign investment. The PRC may enact regulations to prohibit or restrict foreign investment in industries currently without a regulatory framework or it could impose additional regulations in industries for which a regulatory framework presently exists. Any changes to these regulations or the enactment of additional regulations could severely impair our ability to consummate a business combination.

The PRC has enacted regulations for various industry segments to prohibit or restrict foreign investment. For instance, the technology and media industry segments, two of the industry segments on which we initially focused, are politically sensitive areas of the PRC economy and have been subject to many rules and regulations. Many of the rules and regulations in the PRC that we may face may not be explicitly communicated and there may be uncertainties regarding proper interpretations of current and future laws and regulations in the PRC. In addition, the PRC may enact regulations to prohibit or restrict foreign investment in industries currently without a regulatory framework. All of these factors could severely impair our target business' operations. If the relevant Chinese authorities find us or the target business with which we ultimately complete a business combination to be in violation of any existing or future Chinese laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

- levying fines;
- revoking our business and other licenses;
- requiring that we restructure our ownership or operations; and
- requiring that we discontinue any portion or all of our business subject to regulations.

Based on current PRC regulations for industry segments and similar future regulations in any other industries in which we are searching for a target company, our capital structure and ownership requirements may significantly limit the number of potential target businesses. Any of these actions could have a material adverse impact on our business and financial condition.

If political relations between the U.S. and the PRC weaken, it could make a target business' operations or goods or services that such target business produces or sells less attractive.

The relationship between the United States and the PRC is subject to sudden fluctuation and periodic tension. Changes in political conditions in the PRC and changes in the state of Sino-U.S. relations are difficult to predict and could adversely affect our operations or cause potential target businesses or their goods and services to become less attractive. This could lead to a decline in our profitability. Any weakening of relations between the U.S. and the PRC could have a material adverse effect on our operations after a successful completion of a business combination.

Our operations after a successful business combination in the PRC may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to the market-oriented economies of OECD member countries.

The economy of the PRC has historically been a nationalistic, “planned economy,” meaning it functions and produces according to governmental plans and pre-set targets or quotas. In certain aspects, the PRC’s economy has been transitioning to a more market-oriented economy. However, we cannot predict the future direction of these economic reforms or the effects these measures may have. The PRC economy also differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development (“OECD”), an international group of member countries sharing a commitment to democratic government and market economy. For instance:

- the level of state-owned enterprises in the PRC is greater than in most of the countries belonging to the OECD;
- the level of capital reinvestment is lower in the PRC than in other countries that are members of the OECD; and
- the PRC has various impediments in place that make it difficult for foreign firms to obtain local currency, as opposed to other countries belonging to the OECD where exchange of currencies is generally free from restriction.

As a result of these differences, our operations after a successful business combination may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of the OECD member countries.

Because our sole director and executive officer resides outside of the United States, it may be difficult for you to enforce your rights against him or enforce U.S. court judgments against him in the PRC.

Our sole director and executive officer resides outside of the United States and, after the consummation of a business combination, substantially all of our assets will be located outside of the United States. In addition, any directors or executive officers that we may appoint in the future may also reside outside of the United States. It may therefore be difficult for investors in the United States to enforce their legal rights, to effect service of process upon our sole director and executive officer, and/or any of the directors or executive officers which we may appoint in the future, or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our sole director

and executive officer, and/or any of the directors or executive officers which we may appoint in the future, under United States Federal securities laws. Further, it is unclear if extradition treaties now in effect between the United States and the PRC would permit effective enforcement of criminal penalties of the United States Federal securities laws.

Because the Chinese judiciary, which is relatively inexperienced in enforcing corporate and commercial law, will determine the scope and enforcement under Chinese law of almost all of our target business' material agreements, we may be unable to enforce our rights inside and outside of the PRC.

Chinese law will govern almost all of our target business' material agreements, many of which may be with Chinese governmental agencies. We cannot assure you that the target business will be able to enforce any of its material agreements or that remedies will be available outside of the PRC. The Chinese judiciary is relatively inexperienced in enforcing corporate and commercial law, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. The inability to enforce or obtain a remedy under any of our future agreements may have a material adverse impact on our operations.

If the United States imposes trade sanctions on the PRC due to its current currency policies, our target business' ability to succeed in the international markets may be diminished.

The PRC currently "pegs" its currency to the United States dollar. This means that each unit of Chinese currency has a set ratio for which it may be exchanged for United States currency, as opposed to having a floating value like other countries' currencies. This policy is currently under review by policy makers in the United States. Trade groups in the United States have blamed the cheap value of the Chinese currency for causing job losses in American factories, giving Chinese exporters an unfair advantage and making U.S. exports to China expensive. There is increasing pressure for the PRC to change its currency policies to provide for its currency to float freely on international markets. As a result, the United States Congress is considering the enactment of a bill that would require the United States treasury secretary to report to Congress whether the PRC is manipulating its currency to gain a trade advantage. If Congress deems this to be the case, tariffs would be imposed on Chinese imports in addition to those already in force. If an additional tariff is imposed, it is possible that China-based companies will no longer maintain the significant price advantages over foreign companies, including the United States, on their goods and services. If the PRC changes its existing currency policies or if the United States or other countries enact laws to penalize the PRC for its existing currency policies, our target companies are likely to be adversely affected since the current competitive advantages that exist as a result of existing currency policies will cease.

Because any target business with which we attempt to complete a business combination will be required to provide our stockholders with financial statements prepared in accordance with and reconciled to United States generally accepted accounting principles, prospective target businesses may be limited.

In accordance with requirements of United States Federal securities laws, in order to seek stockholder approval of a business combination, a proposed target business will be required to have certain financial statements which are prepared in accordance with, or which can be reconciled to, U.S. generally accepted accounting principles and audited in accordance with U.S. generally accepted auditing standards. To the extent that a proposed target business does not have financial statements which have been prepared with, or which can be reconciled to, U.S. GAAP, and audited in accordance with U.S. GAAS, we will not be able to acquire that proposed target business. These financial statements may limit the pool of potential target businesses which we may acquire.

Exchange controls that exist in the PRC may limit our ability to utilize our cash flow effectively following a business combination.

Following a business combination, we will be subject to the PRC's rules and regulations on currency conversion. In the PRC, the State Administration for Foreign Exchange ("SAFE") regulates the conversion of the Renminbi into foreign currencies. Currently, foreign investment enterprises ("FIEs") are required to apply to the SAFE for "Foreign Exchange Registration Certificates for FIEs." Following a business combination, we will likely be an FIE as a result of our ownership structure. With such registration certificates, which need to be renewed annually, FIEs are allowed to open foreign currency accounts including a "basic account" and "capital account." Currency translation within the scope of the "basic account," such as remittance of foreign currencies for payment of dividends, can be effected without requiring the approval of the SAFE. However, conversion of currency in the "capital account," including capital items such as direct investment, loans and securities, still require approval of the SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on the convertibility of the Renminbi. Any future restrictions on currency exchanges may limit our ability to use our cash flow for the distribution of dividends to our shareholders or to fund operations we may have outside of the PRC.

If certain tax exemptions within the PRC regarding withholding taxes are removed, we may be required to deduct corporate withholding taxes from any dividends we may pay in the future.

Under the PRC's current tax laws, regulations and rulings, companies are exempt from paying withholding taxes with respect dividends paid to stockholders outside of the PRC. However, if the foregoing exemption is removed in the future following a business combination, we may be required to deduct certain amounts from dividends we pay to our shareholders to pay corporate withholding taxes. The current rate imposed on corporate withholding taxes is 20%, or 10% for individuals and entities of those countries that entered into the Protocol of Avoidance of Double Taxation with the PRC.

We may issue shares of our common stock and preferred stock to complete a business combination, which would reduce the equity interest of our stockholders and likely cause a change in control of our ownership.

Our certificate of incorporation authorizes the issuance of up to 20,000,000 shares of common stock, par value \$.0001 per share, and 1,000,000 shares of preferred stock, par value \$.0001 per share. After consummation of our initial public offering, there were 4,252,075 authorized but unissued shares of our common stock available for issuance (after appropriate reservation for the issuance of shares upon full exercise of our outstanding warrants and the purchase option granted to Broadband Capital Management, the representative of the underwriters) and all of the 1,000,000 shares of preferred stock was available for issuance. Although we have no commitments as of the date of this annual report to issue our securities, we will, in all likelihood, issue a substantial number of additional shares of our common stock or preferred stock, or a combination of common and preferred stock, to complete a business combination. The issuance of additional shares of our common stock or any number of shares of our preferred stock may:

- significantly reduce the equity interest of our stockholders;
- likely cause a change in control if a substantial number of our shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely also result in the resignation or removal of our present officers and directors;
- adversely affect the voting power or other rights of the holders of our common stock if we issue preferred stock with dividend, liquidation, conversion voting or other rights superior to the common stock; and
- adversely affect prevailing market prices for our common stock.

Similarly, if we issued debt securities, it could result in:

- default and foreclosure on our assets if our operating revenues after a business combination were insufficient to pay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant were breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

It is likely that our sole director and executive officer will resign upon consummation of a business combination and we will have only limited ability to evaluate the management of the target business.

Our ability to successfully effect a business combination will be totally dependent upon the efforts of our chairman of the board and chief executive officer and any other key personnel we may hire in the future. The future role of our chairman of the board and chief executive officer, and/or any director or executive officer we may appoint in the future, in a target business, however, cannot presently be ascertained. Although it is possible that our chairman of the board and chief executive officer, and/or any director or executive officer that we may appoint in the future, will remain associated in various capacities with the target business following a business combination, it is likely that the management of the target business at the time of the business combination will remain in place. Although we have and will continue to closely scrutinize the management of a target business in connection with evaluating the desirability of effecting a business combination, we cannot assure you that our assessment of management will prove to be correct.

Our sole director and executive officer allocates his time to other businesses, which could cause a conflict of interest as to which business he presents as a viable acquisition opportunity.

Kin Shing Li, our chairman of the board and chief executive officer, is our sole director and executive officer and is not required to commit his full time to our affairs, which may result in a conflict of interest in allocating his time between our operations and other businesses. In addition, we may appoint new directors and executive officers in the future who will most likely not be required to commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and other businesses. Some of these persons may in the future become affiliated with entities, including other “blank check” companies, engaged in business activities similar to those intended to be conducted by us. Mr. Li, and any directors or executive officers that we may appoint in the future, may become aware of business opportunities which may be appropriate for presentation to us as well as other entities with which they are currently or may in the future be affiliated. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. We cannot assure you that these conflicts will be resolved in our favor.

Our sole director and executive officer owns shares of our securities that will not participate in liquidation distributions and therefore he may have a conflict of interest in determining whether a particular target business is appropriate for a business combination.

Kin Shing Li, our chairman of the board and chief executive officer, owns stock in us, but he has waived his right to receive distributions upon liquidation. Our two former directors Dr. Xiaolin Zhong and Dr. Ya-qin Zhang, and our other Initial Stockholders own stock in us, but they have also waived their rights to receive distributions upon liquidation. Additionally, each of Kin Shing Li and Justin Tang, one of our Initial Stockholders, or their affiliates, purchased warrants in the open market following our initial public offering. The shares and warrants owned by our Initial Stockholders will be worthless if we do not consummate a business combination. The personal and financial interests of our chairman of the board and chief executive officer and other Initial Stockholders may influence their motivation in identifying and selecting a target business and completing a business

combination timely. Consequently, such persons' discretion in identifying and selecting a suitable target business may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in our stockholders' best interest.

If our common stock becomes subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

If at any time we have net tangible assets of \$5,000,000 or less and our common stock has a market price per share of less than \$5.00, transactions in our common stock may be subject to the "penny stock" rules promulgated under the Securities Exchange Act of 1934. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors:

- must make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to a transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

If our common stock becomes subject to these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

It is probable that we will only be able to complete one business combination, which will cause us to be solely dependent on a single business and a limited number of products or services.

The net proceeds from our initial public offering provided us with only approximately \$23,986,000 which we may use to complete a business combination. Our initial business combination must be with a business with a fair market value of at least 80% of our net assets at the time of such acquisition. Consequently, it is probable that we will have the ability to complete only a single business combination. Accordingly, the prospects for our success may be:

- solely dependent upon the performance of a single business, or
- dependent upon the development or market acceptance of a single or limited number of products, processes or services.

In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several business combinations in different industries or different areas of a single industry.

Because of our limited resources and the significant competition for business combination opportunities, we may not be able to consummate a business combination with growth potential.

We expect to encounter intense competition from other entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses competing for acquisitions. Many of these entities are well established and have extensive experience in identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe that there are numerous potential target businesses that we could acquire with the net proceeds of our initial public offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses. Further, the obligation we have to seek stockholder approval of a business combination may delay the consummation of a transaction; our obligation to convert into cash the shares of common stock held by public stockholders in certain instances may reduce the resources available for a business combination; and our outstanding warrants, and the future dilution they potentially represent, may not be viewed favorably by certain target businesses. Any of these obligations may place us at a competitive disadvantage in successfully negotiating a business combination.

We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of the target business, which could compel us to restructure the transaction or abandon a particular business combination.

Although we believe that the net proceeds of our initial public offering will be sufficient to allow us to consummate a business combination, in as much as we have not yet entered into an agreement in principle or a definitive agreement with a target business, we cannot ascertain the capital requirements for any particular transaction. If the net proceeds of our initial public offering prove to be insufficient, either because of the size of the business combination or the depletion of the available net proceeds in search of a target business, or because we become obligated to convert into cash a significant number of shares from dissenting stockholders, we will be required to seek additional financing. We cannot assure you that such financing would be available on acceptable terms, if at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular business combination, we would be compelled to restructure the transaction or abandon that particular business combination and seek an alternative target business candidate. In addition, if we consummate a business combination, we may require additional financing to fund the operations or growth of the target business. The failure to

secure additional financing could have a material adverse effect on the continued development or growth of the target business. Our sole director and executive officer and our stockholders are not required to provide any financing to us in connection with or after a business combination.

Our Initial Stockholders, including our chairman of the board and chief executive officer, control a substantial interest in us and thus may influence certain actions requiring stockholder vote.

Our Initial Stockholders collectively own approximately 22.7% of our issued and outstanding shares of common stock. Our board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. It is unlikely that there will be an annual meeting of stockholders to elect new directors prior to the consummation of a business combination, in which case our chairman of the board and any directors appointed in the future will continue in office at least until the consummation of the business combination. If there is an annual meeting, as a consequence of our “staggered” board of directors, only a minority of the board of directors will be considered for election and our Initial Stockholders, because of their ownership position, will have considerable influence regarding the outcome. Accordingly, our Initial Stockholders will continue to exert control at least until the consummation of a business combination. In addition, our Initial Stockholders and their affiliates and relatives are not prohibited from purchasing units, common stock or warrants in the aftermarket. We cannot assure you that our Initial Stockholders will not have considerable influence upon the vote in connection with a business combination.

Our outstanding warrants may have an adverse effect on the market price of our common stock and make it more difficult to effect a business combination.

In connection with our initial public offering, as part of the units, we issued warrants to purchase 8,000,000 shares of our common stock. We also issued an over-allotment option to purchase 515,975 units to the representative of the underwriters which was exercised and resulted in the issuance of additional warrants to purchase 1,031,950 shares of common stock. We also sold to the representative of the underwriters an option to purchase up to a total of 400,000 units pursuant to which we issued warrants to purchase 800,000 shares of our common stock. To the extent we issue shares of common stock to effect a business combination, the potential for the issuance of substantial numbers of additional shares upon exercise of these warrants and options could make us a less attractive acquisition vehicle in the eyes of a target business as such securities, when exercised, will increase the number of issued and outstanding shares of our common stock and reduce the value of the shares issued to complete the business combination. Accordingly, our warrants and options may make it more difficult to effectuate a business combination or increase the cost of the target business. Additionally, the sale, or even the possibility of a sale, of the shares underlying the warrants and options could have an adverse effect on the market price for our securities or on our ability to obtain future public financing. If and to the extent these warrants and options are exercised, you may experience dilution to your holdings.

If our Initial Stockholders exercise their registration rights, it may have an adverse effect on the market price our common stock and the existence of these rights may make it more difficult to effect a business combination.

Our Initial Stockholders are entitled to demand that we register the resale of their shares of common stock at any time after the date on which their shares are released from escrow. If our Initial Stockholders exercise their registration rights with respect to all of their shares of common stock, then there will be an additional 1,000,000 shares of common stock eligible for trading in the public market. The presence of this additional number of shares of common stock eligible for trading in the public market may have an adverse effect on the market price of our common stock. In addition, the existence of these rights may make it more difficult to effectuate a business combination or increase the cost of the target business, as the stockholders of the target business may be discouraged from entering into a business combination with us or will request a higher price for their securities as a result of these registration rights and the potential future effect their exercise may have on the trading market for our common stock.

Our securities are quoted on the OTC Bulletin Board, which limits the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq Stock Market or a national exchange.

Our securities trade in the over-the-counter market and are quoted on the OTC Bulletin Board, an NASD-sponsored and operated inter-dealer automated quotation system for equity securities not included in the Nasdaq Stock Market. Quotation of our securities on the OTC Bulletin Board limits the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq Stock Market or a national exchange.

If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to complete a business combination.

If we are deemed to be an investment company under the Investment Company Act of 1940, our activities may be restricted, including:

- restrictions on the nature of our investments; and
- restrictions on the issuance of securities, which may make it difficult for us to complete a business combination.

In addition, we may have imposed upon us burdensome requirements, including:

- registration as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

We do not believe that our anticipated principal activities will subject us to the Investment Company Act of 1940. To this end, the proceeds held in trust may only be invested by the trust agent in “government securities” with specific maturity dates. By restricting the investment of the proceeds to these instruments, we intend to meet the requirements for the exemption provided in Rule 3a-1 promulgated under the Investment Company Act of 1940. If we were deemed to be subject to the act, compliance with these additional regulatory burdens would require additional expense that we have not allotted for.

If our sole director and executive officer is unable to examine interested transactions with a neutral, unbiased view, it could result in actions taken or expenses incurred on our behalf that may not be in our best interests.

Kin Shing Li, our chairman of the board and chief executive officer, owns shares of our securities and, although no compensation will be paid to him for services rendered prior to or in connection with a business combination, he has received and will continue to receive reimbursement for out-of-pocket expenses incurred by him in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. In addition, any new directors that are appointed to our board will most likely not receive compensation for services rendered prior to or in connection with a business combination, but they will be entitled to receive reimbursement for out-of-pocket expenses incurred by them in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there has been and will not be any review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. Because our directors may not be deemed “independent” under the guidelines of the North American Securities Administrators Association, Inc., we may not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement. Although we believe that all actions taken by our board of directors on our behalf have been and will continue to be in our best interest, we cannot assure you that this is or will actually be the case. If actions are taken, or expenses are incurred, that are actually not in our best interest, it could have a material adverse effect on our business and operations.

Efforts to comply with recently enacted changes in securities laws and regulations will require substantial financial and personnel resources and we still may fail to comply.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report of management on the company’s internal controls over financial reporting in their annual reports on Form 10-KSB. In addition, the public accounting firm auditing the company’s financial statements must attest to and report on management’s assessment of the effectiveness of the company’s internal controls over financial reporting. This requirement will first apply to our annual report on Form 10-KSB for our fiscal year ending 31 December 2006. If we are unable to conclude that we have effective internal controls over financial reporting or, if our independent auditors

are unable to provide us with an unqualified report as to the effectiveness of our internal controls over financial reporting as of 31 December 2006 and future year ends as required by Section 404 of the Sarbanes-Oxley Act of 2002, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities. The formal process of evaluating our internal controls over financial reporting, which will require the devotion of substantial financial and personnel resources, will need to be undertaken by us. Given that we have not commenced this formal process, that a company with which we may complete a business combination may not have commenced this formal process as it is not required to under the laws of the PRC, and that guidance from United States regulatory authorities in the area of internal controls continues to evolve, uncertainty exists regarding our ability, including our ability after we complete a business combination, to comply by applicable deadlines.

Item 2. Description of Property

We maintain our executive offices at 660 Madison Avenue, 15th Floor, New York, New York. The cost for this space is included in the \$500 per-month fee Sherleigh Associates LLC charges us for general and administrative services, including office space, utilities and secretarial support, pursuant to a letter agreement between us and Sherleigh Associates LLC. We believe, based on rents and fees for similar services in the New York metropolitan area, that the fee charged by Sherleigh Associates LLC is at least as favorable as we could have obtained from an unaffiliated person. We consider our current office space adequate for our current operations.

Item 3. Legal Proceedings

We are not currently a party to any pending material legal proceeding.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended 31 December 2004.

PART II.

Item 5. Market for Common Equity and Related Stockholder Matters

Market Information

Our units, common stock and warrants are traded on the Over-the-Counter Bulletin Board under the symbols "GWAQU," "GWAQ" and "GWAQW," respectively. The following table sets forth the range of high and low closing bid prices for the units, common stock and warrants for the periods indicated since such units commenced public trading on 17 March 2004 and since such common stock and warrants commenced public trading on 30 March 2004. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

	OTC Bulletin Board					
	Great Wall		Great Wall		Great Wall Units	
	Common Stock		Warrants			
	High	Low	High	Low	High	Low
2004 First Quarter*	4.90	4.50	0.70	0.60	6.15	6.00
2004 Second Quarter	4.90	4.63	0.85	0.60	6.40	6.00
2004 Third Quarter	4.95	4.75	0.75	0.60	6.41	6.05
2004 Fourth Quarter	5.25	4.90	0.95	0.58	6.85	6.00

* The figures for the first quarter 2004 are from the date on which our securities first commenced trading on the OTC Bulletin Board through 31 March 2004. Our units commenced trading on the OTC Bulletin Board on 17 March 2004 and our warrants and common stock commenced trading on the OTC Bulletin Board on 30 March 2004.

Holders

As of 28 March 2005, there was one holder of record of our units, nine holders of record of our common stock and one holder of record of our warrants. We believe there is a substantial number of beneficial owners of our securities.

Dividends

We have not paid any dividends on our common stock to date and do not intend to pay dividends prior to the completion of a business combination. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of our then board of directors. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board does not anticipate declaring any dividends in the foreseeable future.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with our financial statements and footnotes thereto contained elsewhere in this annual report.

Forward Looking Statements

The statements discussed in this annual report include forward looking statements that involve risks and uncertainties, including the timely delivery and acceptance of our products and the other risks detailed from time to time in our reports filed with the Securities and Exchange Commission.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Business Overview

We were formed on 20 August 2003 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with a company having its primary operations in the PRC. We intend to utilize cash derived from the proceeds of our initial public offering, our capital stock, debt or a combination of cash, capital stock and debt, to effect a business combination.

Results of Operations

We had net loss of \$141,152 for the year ended 31 December 2004 as compared to net loss of \$1,213 for the year ended 31 December 2003. The increase in net loss was the result of an increase in operating expenses in connection with, among other things, our initial public offering, our filing reports under the Securities Exchange Act of 1934, and our searching for a target business. For the year ended 31 December 2004, we incurred \$35,389 of travel expenses, capital based taxes \$67,312, \$184,591 for professional fees, \$4,500 for rent and administrative services, transfer agent fees of \$10,598, other operating costs of \$1,941, and interest expense of \$781 offset by interest income on the Trust Fund investment of \$163,960. We have incurred consulting fees of \$70,000 relating to consulting fees pursuant to an agreement we entered into in June 2004 with a consulting firm to provide us with due diligence research on a prospective target business for our business combination and \$45,000 relates to consulting fees (plus an additional \$11,231 of expenses incurred by this consultants which are included in professional fees above) pursuant to an agreement we entered into as of 1 October 2004, terminable by either party upon 20 days prior written

notice, pursuant to which we are obligated to pay the consultant \$15,000 per month and may be required to pay him a cash fee of \$100,000 if he is still employed by us upon our consummation of a business combination.

The net loss of \$1,213 for the period from 20 August 2003 (inception) to 31 December 2003 relates to expenses incurred in the formation of the Company.

We consummated our initial public offering on 23 March 2004. Gross proceeds from our initial public offering were \$24,000,000. We paid a total of \$1,680,000 in underwriting discounts and commissions, and approximately \$1,095,000 was or will be paid for costs and expenses related to the offering, including \$720,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds. On 30 March 2004, the underwriters exercised their over-allotment option to sell an additional 515,975 units. We paid a total of approximately \$216,700 in underwriting discounts and commissions, and approximately \$118,000 was paid for costs and expenses related to the offering, including approximately \$93,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds. After deducting the underwriting discounts and commissions, and the offering expenses, the total net proceeds to us from the offering were approximately \$23,986,000, of which approximately \$23,161,000 was deposited into the trust fund. The remaining proceeds are available to be used by us to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of 31 December 2004, there was approximately \$23,366,000 held in the trust fund.

We will use substantially all of the net proceeds of our initial public offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe we will have sufficient available funds outside of the trust fund to operate through 23 March 2006, assuming that a business combination is not consummated during that time. Over this time, we anticipate approximately \$175,000 of expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of a business combination, \$50,000 of expenses for the due diligence and investigation of a target business, \$40,000 of expenses in legal and accounting fees relating to our SEC reporting obligations, \$12,000 for the administrative fee payable to Sherleigh Associates LLC (\$500 per month for two years) and \$653,000 for general working capital that will be used for miscellaneous expenses and reserves, including approximately \$125,000 for director and officer liability insurance premiums. We continue to incur expenses related to our search for target businesses with which to complete a business combination. We do not believe we will need to raise additional funds, other than those funds we raised in our initial public offering, in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such fund raising simultaneously with the consummation of a business combination.

Commencing on 17 March 2004 and ending upon the acquisition of a target business, we incur a fee from Sherleigh Associates LLC of \$500 per month for providing us with office space and certain office and secretarial services. Jack Silver, one of our Initial Stockholders, is the principal investor and manager of Sherleigh Associates. In addition, in October 2003, Kin Shing Li, our chairman of the board and chief executive officer, and Justin Tang, one of our principal stockholders, advanced an aggregate of \$35,000 to us for payment on our behalf of offering expenses. These loans were repaid following our initial public offering from the proceeds of the offering.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 7. Financial Statements

Please see the financial statements beginning on page F-1 located elsewhere in this annual report on Form 10-KSB and incorporated herein by reference.

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 8A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our chief executive officer and principal financial officer has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) as of the end of the period covered by this report. Based on this evaluation, such officer has concluded that, as of 31 December 2004, our disclosure controls and procedures are effective in alerting him on a timely basis to material information relating to us required to be included in our periodic filings under the Securities Exchange Act of 1934.

(b) Changes in internal control over financial reporting

During the year ended 31 December 2004, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to affect, our internal control over financial reporting. While we believe our internal controls are adequate and that there are no material weaknesses, it should be noted that our disclosure controls and procedures and our internal controls will not necessarily prevent all error or fraud, and can thus not provide absolute assurance that all control issues or fraud can be detected.

Item 8B. Other Information

On 1 October 2004, Dr. Xiaolin Zhong resigned from our board of directors. As of the date of this annual report on Form 10-KSB, we have not yet appointed anyone to fill the vacancy on our board resulting from Dr. Xiaolin's resignation.

PART III.**Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(A) of the Exchange Act**

Our current director and executive officer is as follows:

Name	Age	Position
Kin Shing Li	47	Chairman of the Board of Directors, Chief Executive Officer and Secretary

KIN SHING LI has been our chairman of the board and chief executive officer since September 2003 and our secretary since January 2004. Mr. Li has been the chairman of International Elite Limited, one of the largest centralized single-location outsourcing customer service call centers in the PRC, since he founded the business in 1999. Since March 2003, he has been a director and shareholder of PacificNet Communications Limited – Macao Commercial Offshore, a joint venture between International Elite and PacificNet Management Limited, a wholly-owned subsidiary of PacificNet Inc., a public Nasdaq-listed provider of information technology consulting, system integration and information technology solutions in Asia. From October 1997 to September 1999, Mr. Li was a member of the board of directors of UTStarcom, Inc., a public Nasdaq-listed company that designs, manufactures, and markets broadband, narrowband, wireless access technology, and was the chief executive officer of one of its subsidiaries, UTStarcom Hong Kong Limited. In January 1997, Mr. Li founded Directel Communications Limited, a GSM sales and service company and has acted as its chairman since that date. In 1994, he founded China-HongKong Telelink Company Limited, the first roaming paging service provider between Hong Kong and the PRC and acted as its chairman until he sold it to UTStarcom Inc. in 1997. Mr. Li founded his first call center in China in 1988 as the founder and general manager of the 81st Army Paging Company in Guangzhou, China.

Our board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. Our former directors, Dr. Xiaolin Zhong and Dr. Ya-qin Zhang, resigned from our board effective 1 October 2004, and 1 February 2005, respectively. Kin Shing Li is our Chairman of the Board and our sole director. His term expires at the third annual meeting of our stockholders.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and persons who own more than 10% of our common stock are required by Securities and Exchange Commission regulations to furnish to us copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, we believe that during our 2004 fiscal year our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements, except that Kin Shing Li failed to file a Form 4 reflecting his purchase of our warrants. Mr. Li intends to file a report to disclose this transaction after the filing of this annual report on Form 10-KSB.

Code of Ethics

We currently do not have a code of ethics. Upon consummation of a business combination, we intend to adopt a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions.

Board Committees and Designated Directors

The board of directors is currently composed of only one individual and we do not have any committees. It is intended that the board of directors will establish an Audit Committee upon the consummation of a business combination. The board of directors will take all reasonable actions to ensure that one of the members of the Audit Committee will be an "audit committee financial expert," as such term is defined in the rules of the Securities and Exchange Commission. We are currently listed on the OTC Bulletin Board and are therefore not required to have a nominating committee or a compensation committee. We will evaluate establishing such committees in the future.

Item 10. Executive Compensation

Commencing on 17 March 2004 and ending upon the acquisition of a target business, we incur a fee from Sherleigh Associates LLC of \$500 per month for providing us with office space and certain office and secretarial services. Jack Silver, one of our Initial Stockholders, is the principal investor and manager of Sherleigh Associates. Other than this \$500 per-month fee, no compensation of any kind, including finders and consulting fees, will be paid to any of our Initial Stockholders, including our chairman of the board and chief executive officer, or any of their respective affiliates, for services rendered prior to or in connection with a business combination. However, our Initial Stockholders will be reimbursed for any out-of-pocket expenses incurred in connection with activities executed on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these

out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged.

Since our formation, we have not granted any stock options or stock appreciation rights or any awards under long-term incentive plans.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the beneficial ownership of our common stock as of 15 March 2005 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- our sole director and executive officer; and
- all our directors and executive officers as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Kin Shing Li (1)	430,000	7.8%
Justin Tang (2)	430,000	7.8%
Jack Silver (3)	300,000(4)	5.4%
Sapling, LLC (5)	299,000	5.4%
All directors and executive officers as a group (1 individual)	430,000	7.8%

- (1) Mr. Li's business address is 660 Madison Avenue, 15th Floor, New York, New York 10021. Does not include 305,000 shares of common stock issuable upon exercise of warrants that are not currently exercisable and will not become exercisable within the next 60 days.
- (2) Mr. Tang's business address is c/o eLong, Inc., Union Plaza, Suite 604, 20 Chaoyang Men Wai Ave., Beijing 100020, China. Does not include 300,000 shares of common stock issuable upon exercise of warrants that are not currently exercisable and will not become exercisable within the next 60 days.
- (3) The business address of Mr. Silver is c/o Sherleigh Associates LLC (d/b/a STAR Capital), 660 Madison Avenue, New York, New York 10021.
- (4) Includes (i) 50,000 shares of common stock held by Sherleigh Associates Inc. Profit Sharing Plan, of which Mr. Silver is the trustee, and (ii) 250,000 shares of common stock held by Sherleigh Associates LLC, of which Mr. Silver is the principal investor and manager. Does not includes an

aggregate of 500,000 shares of common stock issuable upon exercise of warrants held by Sherleigh Associates Inc. Profit Sharing Plan and Sherleigh Associates which are not currently exercisable and which will not become exercisable within the next 60 days. The foregoing information was derived from a Schedule 13G filed with the SEC on 26 March 2004.

- (5) The address of Sapling, LLC is 535 Fifth Avenue, 31st Floor, New York, New York 10017. Sapling, LLC has shared voting and dispositive power for the shares listed in table above. The foregoing information was derived from a Schedule 13G filed with the SEC on 28 January 2005.

All of the shares of our outstanding common stock owned by our Initial Stockholders prior to our initial public offering have been placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, until the earliest of:

- 17 March 2007;
- our liquidation; or
- the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of our stockholders having the right to exchange their shares of common stock for cash, securities or other property subsequent to our consummating a business combination with a target business.

During the escrow period, the holders of these shares will not be able to sell their securities, but will retain all other rights as our stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow. If we are unable to effect a business combination and liquidate, none of our initial stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to our initial public offering.

Kin Shing Li and Justin Tang may be deemed to be our “parents” and “promoters,” as these terms are defined under the Federal securities laws.

Item 12. Certain Relationships and Related Transactions

In September 2003, we issued 430,000 shares of common stock to Kin Shing Li and Justin Tang for a total of US\$24,993 in cash, or approximately \$.058 per share. We also issued 25,000 shares of common stock to Jack Silver for nominal consideration. In January 2004, our board of directors authorized a two-for-one forward stock split of its common stock, effectively lowering the purchase price to an overall average of \$.025 per share.

The holders of the majority of these shares are entitled to make up to two demands that we register these shares pursuant to an agreement we signed with them. The holders of the majority of these shares can elect to exercise these registration rights at any time after the date on which these shares of common stock are released from escrow. In addition, these stockholders have certain “piggy-back” registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow. We will bear the expenses incurred in connection with the filing of any such registration statements.

Sherleigh Associates LLC, an affiliate of Jack Silver, one of our Initial Stockholders, has agreed that, commencing in March 2004 through the date a business combination is consummated, it will make available to us a small amount of office space and certain office and secretarial services, as we may require from time to time. We have agreed to pay Sherleigh Associates LLC \$500 per month for these services.

Kin Shing Li and Justin Tang each made advances of \$17,500, aggregating \$35,000, to us to cover expenses operating related to our initial public offering. The loans are payable with interest at a rate of 4% per year on the earlier of 6 October 2004 or the consummation of our initial public offering. We repaid these loans from the proceeds of our initial public offering.

We have and will reimburse our officers and directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on our behalf such as identifying and investigating possible target businesses and business combinations. There is no limit on the amount of accountable out-of-pocket expenses reimbursable by us, which will be reviewed only by our board of directors or a court of competent jurisdiction if such reimbursement is challenged.

Other than reimbursable out-of-pocket expenses payable to our officers and directors, no compensation or fees of any kind, including finders and consulting fees has or will be paid by us to any of our Initial Stockholders, officers or directors who owned our common stock prior to our initial public offering, or to any of their respective affiliates for services rendered to us prior to or with respect to the business combination.

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties and will require prior approval in each instance by a majority of the members of our board who do not have an interest in the transaction.

Item 13. Exhibits

The following Exhibits are filed as part of this report.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation.(1)
3.2	By-laws.(1)
4.1	Specimen Unit Certificate.(1)
4.2	Specimen Common Stock Certificate.(1)
4.3	Specimen Warrant Certificate.(1)

Exhibit No.	Description
4.4	Form of Unit Purchase Option granted to Broadband Capital Management LLC.(1)
4.5	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant.(1)
10.1	Letter Agreement among the Registrant, Broadband Capital Management LLC and Justin Tang.(1)
10.2	Letter Agreement among the Registrant, Broadband Capital Management LLC and Kin Shing Li.(1)
10.3	Form of Letter Agreement among the Registrant, Broadband Capital Management LLC and each of Dr. Ya-qin Zhang and Dr. Xiaolin Zhong.(1)
10.4	Letter Agreement among the Registrant, Broadband Capital Management LLC and Jack Silver.(1)
10.5	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant.(1)
10.6	Form of Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders.(1)
10.7	Form of Letter Agreement between Sherleigh Associates LLC and Registrant regarding administrative support.(1)
10.8	Form of Promissory Note, dated as of 6 October 2003, in the principal amount of \$17,500 issued to each of Kin Shing Li and Justin Tang.(1)
10.9	Registration Rights Agreement among the Registrant and the Initial Stockholders.(1)
10.10	Warrant Purchase Agreement among Kin Shing Li, Justin Tang and Broadband Capital Management LLC.(1)
31*	Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* *Filed herewith.*

We do not have any management contracts or compensatory plans or arrangements.

- (1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-110906).

Item 14. Principal Accountant Fees and Services

The firm of Goldstein Golub Kessler LLP ("GGK") acts as our principal accountant. GGK has a continuing relationship with American Express Tax and Business Services Inc. ("TBS") from which it leases auditing staff who are full time, permanent employees of TBS and through which its partners provide non-audit services. As a result of this arrangement, GGK has no full-time employees and therefore, none of the audit services performed were provided by permanent full-time employees of GGK. GGK manages and supervises the audit and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination. The following is a summary of fees paid to GGK and TBS for services rendered.

AUDIT FEES

We did not pay any audit fees to GGK and TBS during the fiscal year ended 31 December 2003. We have been billed \$25,000 for the services GGK performed in connection with our initial public offering, including the financial statements included in our prospectus filed with the Securities and Exchange Commission on 19 March 2004. We paid or expect to pay GGK \$14,250 for the quarterly reports on Form 10-QSB for the quarters ended 31 March, 30 June and 30 September 2004, and approximately \$12,000 for the audit for the year ended 31 December 2004.

AUDIT RELATED FEES

During the fiscal years ended 31 December 2003 and 2004, GGK billed us \$3,150 for assurance and related services reasonably related to the performance of the audit or review of financial statements.

TAX FEES

For the fiscal years ended 31 December 2003 and 2004, we paid or expect to pay TBS \$1,875 and approximately \$3,000, respectively, for tax compliance, tax advice and tax planning.

ALL OTHER FEES

During the fiscal years ended 31 December 2003 and 2004, there were no fees billed for products and services provided by GGK and TBS other than those set forth above.

AUDIT COMMITTEE APPROVAL

We do not have an audit committee and as a result our board of directors performs the duties of an audit committee. Our board of directors evaluates and approves in advance the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. We do not rely on pre-approval policies and procedures.

Great Wall Acquisition Corporation
(a corporation in the development stage)
INDEX TO FINANCIAL STATEMENTS

Report of Registered Public Accounting Firm F-2

Financial Statements:

 Balance Sheet F-3

 Statement of Operations F-4

 Statement of Stockholders’ Equity F-5

 Statement of Cash Flows F-6

 Notes to Financial Statements F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Great Wall Acquisition Corporation

We have audited the accompanying balance sheets of Great Wall Acquisition Corporation (a corporation in the development stage) as of 31 December 2004 and 2003, and the related statements of operations, stockholders' equity and cash flows for the period from 20 August 2003 (inception) to 31 December 2004, the year ended 31 December 2004 and the period from 20 August 2003 (inception) to 31 December 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Wall Acquisition Corporation as of 31 December 2004 and 2003, and the results of its operations and its cash flows for the period from 20 August 2003 (inception) to 31 December 2004, the year ended 31 December 2004 and the period from 20 August 2003 (inception) to 31 December 2003 in conformity with United States generally accepted accounting principles.

/s/Goldstein Golub Kessler LLP

Goldstein Golub Kessler LLP
New York, New York
30 March 2005

GREAT WALL ACQUISITION CORPORATION
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS

	31 December 2004	31 December 2003
ASSETS		
Current assets:		
Cash	\$688,542	\$18,340
Money market funds – held in trust	1,328	–
Investment in Treasury Bills – held in trust	23,364,404	–
Prepaid expenses	3,003	–
	<hr/>	<hr/>
Total current assets	24,057,277	18,340
Deferred offering costs	–	51,362
	<hr/>	<hr/>
Total assets	<u>\$24,057,277</u>	<u>\$69,702</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses	\$80,626	\$10,915
Income taxes payable	67,312	–
Deferred interest	40,757	–
Notes payable, stockholders	–	35,000
	<hr/>	<hr/>
Total current liabilities	188,695	45,915
	<hr/>	<hr/>
Common stock, subject to possible redemption 902,744 shares at redemption value	<u>4,629,887</u>	<u>–</u>
Stockholders' equity		
Preferred stock, \$0.0001 par value; authorized 1,000,000 shares; issued – none		
Common stock, \$0.0001 par value; authorized 20,000,000 shares; issued and outstanding – 5,515,975 shares (which includes 902,744 shares of common stock subject to possible redemption) and 1,000,000 shares at 31 December 2004 and 2003, respectively	552	100
Additional paid-in capital	19,380,508	24,900
Deficit accumulated during development stage	(142,365)	(1,213)
	<hr/>	<hr/>
Total stockholders' equity	19,238,695	23,787
	<hr/>	<hr/>
Total liabilities and stockholders' equity	<u>\$24,057,277</u>	<u>\$69,702</u>

GREAT WALL ACQUISITION CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS

	Period from 20 August 2003 (inception) to 31 December 2004 (cumulative)	Year Ended 31 December 2004	Period from 20 August 2003 (inception) to 31 December 2003
Operating expenses:			
Travel	\$35,389	\$35,389	\$–
Capital based taxes	67,312	67,312	–
Professional fees	184,591	184,591	–
Rent	4,500	4,500	–
Transfer agent fees	10,598	10,598	–
Other operating costs	2,824	1,941	883
	<u> </u>	<u> </u>	<u> </u>
Loss from operations	(305,214)	(302,331)	(883)
	<u> </u>	<u> </u>	<u> </u>
Interest income	163,960	163,960	–
Interest expense	(1,111)	(781)	(330)
	<u> </u>	<u> </u>	<u> </u>
Net loss	<u>\$ (142,365)</u>	<u>\$ (141,152)</u>	<u>\$ (1,213)</u>
Net loss per common share			
– basic and diluted		<u>\$ (0.03)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding			
– basic and diluted:			
Basic and diluted		<u>4,590,900</u>	<u>1,000,000</u>

**GREAT WALL ACQUISITION CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit accumulated during development stage	Total Stockholders' Equity
Balance, 20 August 2003 (inception)	–	\$–	\$–	\$–	\$–
Sale of 1,000,000 shares of common stock to founding stockholders	1,000,000	100	24,900	–	25,000
Net loss	–	–	–	(1,213)	(1,213)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, 31 December 2003	1,000,000	\$100	\$24,900	\$(1,213)	\$23,787
Sale of 4,515,975 units (including 902,744 shares of common stock subject to possible redemption), net of underwriters discount and offering expenses	4,515,975	452	23,985,395	–	23,985,847
Reclassification as a result of 902,744 shares of common stock being subject to possible redemption	–	–	(4,629,887)	–	(4,629,887)
Proceeds from issuance of stock option to underwriter			100		100
Net loss	–	–	–	(141,152)	(141,152)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, 31 December 2004	<u>5,515,975</u>	<u>\$552</u>	<u>\$19,380,508</u>	<u>\$(142,365)</u>	<u>\$19,238,695</u>

**GREAT WALL ACQUISITION CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS**

	20 August 2003 (inception) to 31 December 2004 (cumulative)	Year Ended 31 December 2004	20 August 2003 (inception) to 31 December 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$(142,365)	\$(141,152)	\$(1,213)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accrued interest on Treasury Bills	(203,890)	(203,890)	–
Changes in operating assets and liabilities:			
(Increase) decrease in –			
Prepaid expense	(3,003)	(3,003)	–
Increase (decrease) in –			
Accrued expenses	80,626	79,413	1,213
Income tax payable	67,312	67,312	–
Deferred interest	40,757	40,757	–
	<u>(160,563)</u>	<u>(160,563)</u>	<u>–</u>
Net cash used in operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in money market fund	(1,328)	(1,328)	–
Purchase of Treasury Bills	(56,452,514)	(56,452,514)	–
Maturity of Treasury Bills	33,292,000	33,292,000	–
	<u>(23,161,842)</u>	<u>(23,161,842)</u>	<u>–</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Gross proceeds from public offering	27,095,850	27,095,850	–
Proceeds from issuance of stock option	100	100	–
Payment of costs of public offering	(3,110,003)	(3,068,343)	(41,660)
Proceeds from sale of shares of common stock	25,000	–	25,000
Proceeds from notes payable, stockholders	35,000	–	35,000
Repayment of note payable, stockholders	(35,000)	(35,000)	–
	<u>24,010,947</u>	<u>23,992,607</u>	<u>18,340</u>
Net cash provided by financing activities			
CASH			
Net increase	688,542	670,202	18,340
Balance at beginning of period	–	18,340	–
	<u>\$688,542</u>	<u>\$688,542</u>	<u>\$18,340</u>
Balance at end of period			
Supplemental schedule of non-cash financing activity:			
Accrual of deferred offering costs	<u>\$–</u>	<u>–</u>	<u>9,702</u>

Great Wall Acquisition Corporation
(a corporation in the development stage)
Notes to Financial Statements

1. Organization and Business Operations

Great Wall Acquisition Corporation (the “Company”) was incorporated in 20 August 2003 as a blank check company whose objective is to acquire an operating business having its primary operations in the People’s Republic of China.

All activity from 20 August 2003 (inception) through 31 December 2004 relates to the Company’s formation, initial public offering and operations as described below. The Company has selected 31 December as its fiscal year-end.

The registration statement for the Company’s initial public offering (“Offering”) was declared effective 17 March 2004.

The Company consummated the offering on 23 March 2004 and on 30 March 2004, the underwriters exercised their over-allotment option and the Company received net proceeds of approximately \$23,986,000 (See Note 2). The Company’s management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with an operating business in the People’s Republic of China (“Business Combination”). An amount of approximately \$23,161,000 of the net proceeds was placed in an interest-bearing trust account (“Trust Fund”) until the earlier of (i) the consummation of the Company’s first Business Combination or (ii) liquidation of the Company. Under the agreement governing the Trust Fund, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. This amount has been invested in a Treasury Bill. The Treasury Bill has been accounted for as a trading security, which is recorded at its market value of approximately \$23,364,000 at 31 December 2004. The excess of market value over cost, exclusive of the deferred interest described below, is included in interest income in the accompanying Statement of Operations. The remaining net proceeds may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the outstanding stock excluding, for this purpose, those persons who were stockholders prior to the Offering, vote against the Business Combination, the Business Combination will not be consummated. All of the Company’s stockholders prior to the Offering, including the Company’s officer and director (“Initial Stockholders”), have agreed to vote their 1,000,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (“Public Stockholders”) with respect to any Business Combination. After consummation of the Company’s first Business Combination, all of these voting safeguards will no longer be applicable.

With respect to the first Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company redeem his shares. The per share redemption price will equal the amount in the Trust Fund as of the record date for determination of stockholders entitled to vote on the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek redemption of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the Offering (19.99% of the amount held in the Trust Fund) has been classified as common stock subject to possible redemption in the accompanying 31 December 2004 balance sheet and 19.99% of the related interest earned on the Treasury Bill has been recorded as deferred interest.

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company, without stockholder approval, in the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Offering, or 24 months from the consummation of the Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold (Note 2).

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company recorded a deferred income tax asset for the tax effect of net operating loss carryforwards and temporary differences, aggregating approximately \$48,000 and \$400 at 31 December 2004 and 2003, respectively. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a full valuation allowance since the realization of the deferred tax asset cannot be determined. The Company has U.S. tax net operating loss carryforwards of approximately \$142,000 which expire through 2024.

The effective tax rate differs from the statutory rate of 34% due to the increase in the valuation allowance.

Basic loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share gives effect to dilutive options, warrants and other potential common stock outstanding during the period. Potential common stock, aggregating 10,231,950 underlying shares, has not been included in the computation of diluted loss per share, as the effect of the outstanding option would be antidilutive and the outstanding warrants are contingently issuable.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

2. Initial Public Offering

On 23 March 2004, the Company sold 4,000,000 units ("Units") in the Offering. On 30 March 2004, the Company sold an additional 515,975 Units pursuant to the underwriters' over-allotment option. Each Unit consists of one share of the Company's common stock, \$.0001 par value, and two redeemable common stock purchase warrants ("Warrants"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring five years from the date of the prospectus. The Warrants will be redeemable at a price of \$.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given. In connection with this Offering, the Company issued, for \$100, an option to the representative of the underwriters to purchase 400,000 Units at an exercise price of \$9.90 per Unit. In addition, the warrants underlying such Units are exercisable at \$6.95 per share.

3. Notes Payable, Stockholders

The Company issued an aggregate of \$35,000 unsecured promissory notes to two stockholders on 6 October 2003. The notes bore interest at a rate of 4% per year and were repaid in 2004 from the net proceeds of the Offering. Interest expense accrued through 31 December 2004 amounted to \$781 and \$330, respectively. Due to the short-term nature of the notes, the fair value of the notes approximates their carrying amount.

4. Commitment

The Company presently occupies office space provided by an affiliate of an Initial Stockholder. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$500 per month for such services commencing on the effective date of the Offering. The statements of operations for the period ended 31 December 2004 includes \$4,500 related to this agreement.

5. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

6. Common Stock

On 7 January 2004, the Company's Board of Directors authorized a two for one forward stock split of its common stock. All references in the accompanying financial statements to the numbers of shares have been retroactively restated to reflect the stock split.

At 31 December 2004, 10,231,950 shares of common stock were reserved for issuance upon exercise of redeemable warrants and underwriters' unit purchase option.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 15th day of April 2005.

GREAT WALL ACQUISITION CORPORATION

By: /s/Kin Shing Li
Kin Shing Li
Chairman of the Board, Chief Executive Officer
and Secretary (Principal Executive Officer and
Principal Financial and Accounting Officer)

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Kin Shing Li Kin Shing Li	Chairman of the Board, Chief Executive Officer and Secretary (Principal Executive Officer and Principal Financial and Accounting Officer)	15 April 2005

- (G) The following is the financial information of Great Wall for the six months ended 30 June 2005 which is extracted from the complete filing of the interim report of Great Wall for the half year ended 30 June 2005 on the web site of the US Securities and Exchange Commission.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB



Quarterly Report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended 30 June 2005



Transition Report pursuant to 13 or 15(d) of
the Securities Exchange Act of 1934

For the transition period _____ to _____

Commission File Number: 000-50550

GREAT WALL ACQUISITION CORPORATION

(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

20-0178991

(I.R.S. Employer
Identification Number)

660 Madison Avenue

15th Floor

New York, New York 10021

(Address of Principal Executive Offices)

(212) 753-0804

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

As of 1 August 2005, the Company had 5,515,975 shares of its common stock, par value \$0.0001 per share, issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes [] No [X]

PART I – FINANCIAL INFORMATION	1
Item 1. Financial Statements	1
Item 2. Management’s Discussion and Analysis or Plan of Operation	7
Item 3. Controls and Procedures	10
PART II – OTHER INFORMATION	10
Item 1. Legal Proceedings	10
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	10
Item 3. Defaults Upon Senior Securities	11
Item 4. Submission of Matters To a Vote of Security Holders	11
Item 5. Other Information	11
Item 6. Exhibits	11

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Great Wall Acquisition Corporation
(A Development Stage Company)
Balance Sheets

	30 June 2005 (Unaudited)	31 December 2004
ASSETS		
Current assets:		
Cash	\$345,426	\$688,542
Money market funds – held in trust	1,107	1,328
Investment in Treasury Bills – held in trust	23,637,044	23,364,404
Prepaid expenses	4,010	3,003
	<hr/>	<hr/>
Total current assets	23,987,587	24,057,277
	<hr/>	<hr/>
Total assets	<u>\$23,987,587</u>	<u>\$24,057,277</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses	\$100,908	\$80,626
Capital and income taxes payable	43,081	67,312
Deferred interest	95,260	40,757
	<hr/>	<hr/>
Total current liabilities	239,249	188,695
	<hr/>	<hr/>
Common stock subject to possible redemption – 902,744 shares at redemption value	<u>4,629,887</u>	<u>4,629,887</u>
Stockholders' equity:		
Preferred stock, \$0.0001 par value; authorized – 1,000,000 shares; issued – none	–	–
Common stock, \$0.0001 par value; authorized – 20,000,000 shares; issued and outstanding – 5,515,975 shares (including 902,744 shares of common stock subject to possible redemption)	552	552
Additional paid-in capital	19,380,508	19,380,508
Deficit accumulated during development stage	<u>(262,609)</u>	<u>(142,365)</u>
	<hr/>	<hr/>
Total stockholders' equity	19,118,451	19,238,695
	<hr/>	<hr/>
Total liabilities and stockholders' equity	<u>\$23,987,587</u>	<u>\$24,057,277</u>

Great Wall Acquisition Corporation
(A Development Stage Company)
Statements of Operations (Unaudited)

	Period from 20 August 2003 (inception) to 30 June 2005 (cumulative)	Three Months Ended 30 June		Six Months Ended 30 June	
		2005	2004	2005	2004
Operating expenses:					
Travel	\$53,655	\$5,878	\$6,059	\$18,266	\$6,059
Capital-based taxes	117,881	27,569	–	50,569	–
Professional fees	444,543	158,907	9,286	259,952	9,286
Rent	7,500	1,500	1,500	3,000	1,742
Transfer agent fees	16,671	1,913	2,742	6,073	2,983
Other operating costs	3,374	370	370	550	1,310
Loss from operations	(643,624)	(196,137)	(19,957)	(338,410)	(21,380)
Interest income	382,126	120,210	18,025	218,166	18,025
Interest expense	(1,111)	–	(184)	–	(533)
Net loss	<u>\$(262,609)</u>	<u>\$(75,927)</u>	<u>\$(2,116)</u>	<u>\$(120,244)</u>	<u>\$(3,888)</u>
Net loss per common share					
– basic and diluted		<u>\$(0.01)</u>	<u>\$(0.00)</u>	<u>\$(0.02)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding – basic and diluted		<u>5,515,975</u>	<u>5,515,975</u>	<u>5,515,975</u>	<u>3,591,127</u>

Great Wall Acquisition Corporation

(A Development Stage Company)

Statement of Stockholders' Equity

Period from 20 August 2003 (Inception) to 30 June 2005 (Cumulative)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Total Stockholders' Equity
Balance, 20 August 2003 (inception)	–	\$–	\$–	\$–	\$–
Sale of 1,000,000 shares of common stock to founding stockholders (140,000 shares at \$0.00005 per share and 860,000 shares at \$0.029062 per share)	1,000,000	100	24,900	–	25,000
Net loss	–	–	–	(1,213)	(1,213)
Balance, 31 December 2003	1,000,000	100	24,900	(1,213)	23,787
Sale of 4,515,975 units (including 902,744 shares of common stock subject to possible redemption), net of underwriters discount and offering expenses	4,515,975	452	23,985,395	–	23,985,847
Reclassification as a result of 902,744 shares of common stock being subject to possible redemption	–	–	(4,629,887)	–	(4,629,887)
Proceeds from issuance of stock option to underwriter	–	–	100	–	100
Net loss	–	–	–	(141,152)	(141,152)
Balance, 31 December 2004	5,515,975	552	19,380,508	(142,365)	19,238,695
Unaudited: Net loss	–	–	–	(120,244)	(120,244)
Balance, 30 June 2005	<u>5,515,975</u>	<u>\$552</u>	<u>\$19,380,508</u>	<u>\$(262,609)</u>	<u>\$19,118,451</u>

Great Wall Acquisition Corporation
(A Development Stage Company)
Statements of Cash Flows (Unaudited)

	Period from 20 August 2003 (inception) to 30 June 2005 (cumulative)	Six Months Ended 30 June 2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$(262,609)	\$(120,244)	\$(3,888)
Adjustments to reconcile net loss to net cash used in operating activities:			
Interest on Treasury Bills	(476,544)	(272,654)	(22,528)
Changes in operating assets and liabilities:			
(Increase) decrease in – Prepaid expenses	(4,010)	(1,007)	(8,487)
Increase (decrease) in – Accrued expenses	100,908	20,282	13,030
Capital and income taxes payable	43,081	(24,231)	–
Deferred interest	95,260	54,503	4,503
	<u>(503,914)</u>	<u>(343,351)</u>	<u>(17,370)</u>
Net cash used in operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in money market funds	(1,107)	221	–
Purchase of Treasury Bills	(202,415,500)	(145,962,986)	(23,161,015)
Maturity of Treasury Bills	179,255,000	145,963,000	–
	<u>(23,161,607)</u>	<u>235</u>	<u>(23,161,015)</u>
Net cash provided by (used in) investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Gross proceeds from public offering	27,095,850	–	27,095,850
Proceeds from issuance of stock option	100	–	100
Payment of costs of public offering	(3,110,003)	–	(3,020,947)
Proceeds from sale of shares of common stock	25,000	–	–
Proceeds from notes payable, stockholders	35,000	–	–
Repayment of notes payable, stockholders	(35,000)	–	(17,500)
	<u>24,010,947</u>	<u>–</u>	<u>24,057,503</u>
Net cash provided by financing activities			
Net increase (decrease) in cash	345,426	(343,116)	879,118
Cash at beginning of period	<u>–</u>	<u>688,542</u>	<u>18,340</u>
Cash at end of period	<u><u>\$345,426</u></u>	<u><u>\$345,426</u></u>	<u><u>\$897,458</u></u>
Supplemental schedule of non-cash financing activities:			
Accrual of deferred offering costs	<u>\$–</u>	<u>\$–</u>	<u>\$47,396</u>
Accrual of deferred proposed acquisition costs	<u>\$–</u>	<u>\$–</u>	<u>\$21,000</u>

Great Wall Acquisition Corporation
(A Development Stage Company)
Notes to Financial Statements (Unaudited)
Three Months and Six Months Ended 30 June 2005 and 2004

1. Basis of Presentation

The financial statements at 30 June 2005, for the three months and six months ended 30 June 2005 and 2004, and for the period from 20 August 2003 (inception) to 30 June 2005 (cumulative), are unaudited. In the opinion of management, all adjustments (consisting of normal accruals) have been made that are necessary to present fairly the financial position of Great Wall Acquisition Corporation (the “Company”) as of 30 June 2005 and the results of its operations for the three months and six months ended 30 June 2005 and 2004, and for the period from 20 August 2003 (inception) to 30 June 2005 (cumulative), its cash flows for the six months ended 30 June 2005 and 30 June 2004 and for the period from 20 August 2003 (inception) to 30 June 2005 (cumulative) and its changes in stockholders’ equity for the six months ended 30 June 2005. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full year.

The statements and related notes have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements that were included in the Company’s Annual Report on Form 10-KSB for the fiscal year ended 31 December 2004.

2. Organization and Business Operations

The Company was incorporated on 20 August 2003 as a blank check company whose objective is to acquire an operating business having its primary operations in the People’s Republic of China. The registration statement for the Company’s initial public offering (“Offering”) was declared effective 17 March 2004. The Company consummated the Offering on 23 March 2004 and received net proceeds of approximately \$21,225,000 (Note 3). On 30 March 2004, the underwriters exercised their over-allotment option and the Company received additional net proceeds of approximately \$2,761,000 (Note 3). The Company’s management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with an operating business in the People’s Republic of China (“Business Combination”). An amount of approximately \$23,161,000 of the net proceeds was placed in an interest-bearing trust account (“Trust Fund”) until the earlier of the (i) consummation of the Company’s first Business Combination or (ii) liquidation of the Company. Under the agreement governing the Trust Fund, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. This amount has been invested in a Treasury Bill. The Treasury Bill has been accounted for as a trading security, which is recorded as its market value of \$23,637,044 at 30 June 2005. The excess of market value over cost, exclusive of the deferred interest described below, is included in interest income in the accompanying statements of operations. The remaining net proceeds may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the outstanding stock excluding, for this purpose, those persons who were stockholders prior to the Offering, vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. All of the Company’s stockholders prior to the Offering, including the Company’s chairman of the board and chief executive officer and other former members of the Company’s board of directors (“Initial Stockholders”), have agreed to vote their 1,000,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (“Public Stockholders”) with respect to the Business Combination. After consummation of the Business Combination, all of these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company redeem his shares. The per share redemption price will equal the amount in the Trust Fund as of the record date for determination of stockholders entitled to vote on the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek redemption of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the Offering (19.99% of the amount originally held in the Trust Fund) has been classified as common stock subject to possible redemption in the accompanying balance sheets and 19.99% of the related interest earned on the Treasury Bill has been recorded as deferred interest.

The Company's Amended and Restated Certificate of Incorporation provides for mandatory liquidation of the Company, without stockholder approval, in the event that the Company does not consummate a Business Combination by 23 September 2005 (18 months from the date of the consummation of the Offering), or 23 March 2006 (24 months from the consummation of the Offering) if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold (Note 3).

3. Initial Public Offering

On 23 March 2004, the Company sold 4,000,000 units ("Units") in the Offering. On 30 March 2004, the Company sold an additional 515,975 Units pursuant to the underwriters' over-allotment option. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and two redeemable common stock purchase warrants ("Warrants"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring five years from the date of the prospectus. The Warrants will be redeemable at a price of \$0.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. In connection with the Offering, the Company issued, for \$100, an option to the representative of the underwriters to purchase 400,000 Units at an exercise price of \$9.90 per Unit. In addition, the warrants underlying such Units are exercisable at \$6.95 per share.

4. Commitments

The Company entered into a consulting agreement as of 1 April 2005 with a third party to assist it with finding a target business and consummating a Business Combination. This consulting agreement terminates on 1 October 2005 and may be extended by mutual agreement of both parties. This consulting agreement may be terminated by one party in connection with a material violation of the agreement by the other party, or by either party for any reason upon 30 days prior written notice. Pursuant to this consulting agreement, the consultant will, among other things, organize and manage the due diligence process with respect to any proposed Business Combination, provide support to the Company throughout the negotiations of any proposed Business Combination, provide financial and accounting analysis, and analyze a target business' prospects and business plan. Under this consulting agreement, the consultant is entitled to fees of \$10,000 per month and reasonable travel and out-of-pocket expenses. During the three months ended 30 June 2005, the Company paid this consultant \$30,000 in fees, which are included in professional fees for this period.

5. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

6. Common Stock

On 7 January 2004, the Company's Board of Directors authorized a two for one forward stock split of its common stock. All references in the accompanying financial statements to the numbers of shares have been retroactively restated to reflect the stock split.

As of 30 June 2005, 10,231,950 shares of common stock were reserved for issuance upon exercise of redeemable warrants and underwriters' unit purchase option.

7. Earnings Per Share

Loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period.

The loss per share calculation excludes the effect of outstanding options and warrants, since the Company incurred a net loss during the periods and thus their effect would have been anti-dilutive.

Item 2. Management's Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with our Financial Statements and footnotes thereto contained in this quarterly report on Form 10-QSB.

Forward Looking Statements

The statements discussed in this quarterly report on Form 10-QSB include forward looking statements that involve risks and uncertainties, which are detailed from time to time in our reports filed with the U.S. Securities and Exchange Commission.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Business Overview

We were formed on 20 August 2003 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with a company having its primary operations in the People's Republic of China. We intend to utilize cash derived from the proceeds of our initial public offering, our capital stock, debt or a combination of cash, capital stock and debt, to effect a business combination.

Results of Operations

We had a net loss of \$75,927 for the three months ended 30 June 2005 as compared to a net loss of \$2,116 for the three months ended 30 June 2004. The increase in net loss was the result of an increase in operating expenses in connection with, among other things, our due diligence of a potential target business and the associated professional fees and travel expenses related to this due diligence, and our filing reports under the Securities Exchange Act of 1934.

For the three months ended 30 June 2005, we incurred \$5,878 of travel expenses, \$27,569 of capital-based taxes, \$158,907 of professional fees, \$1,500 of expenses pursuant to a monthly administrative services agreement, \$1,913 of transfer agent fees, other operating costs of \$370, offset by interest income on the Trust Fund investment of \$120,210. As of 1 April 2005, we entered into a consulting agreement with a third party to assist us with finding a target business and consummating a business combination. This consulting agreement terminates on 1 October 2005 and may be extended by mutual agreement of both parties. This consulting agreement may be terminated by one party in connection with a material violation of the agreement by the other party, or by either party for any reason upon 30 days prior written notice. Pursuant to this consulting agreement, the consultant will, among other things, organize and manage the due diligence process with respect to any proposed business combination, provide support to us throughout the negotiations of any proposed business combination, provide financial and accounting analysis, and analyze a target business' prospects and business plan. Under this consulting agreement, the consultant is entitled to fees of \$10,000 per month and reasonable travel and out-of-pocket expenses. During the three months ended 30 June 2005, we paid this consultant \$30,000 in fees, which are included in professional fees for this period.

For the three months ended 30 June 2004, we incurred \$6,059 of travel expenses, \$9,286 of professional fees, \$1,500 of expenses pursuant to a monthly administrative services agreement, \$2,742 of transfer agent fees, other operating costs of \$370, interest expense of \$184, offset by interest income on the Trust Fund investment of \$18,025.

We had a net loss of \$120,244 for the six months ended 30 June 2005 as compared to a net loss of \$3,888 for the six months ended 30 June 2004. The increase in net loss was the result of an increase in operating expenses in connection with, among other things, our due diligence of a potential target business and the associated professional fees and travel expenses related to this due diligence, and our filing reports under the Securities Exchange Act of 1934.

For the six months ended 30 June 2005, we incurred \$18,266 of travel expenses, \$50,569 of capital based taxes, \$259,952 of professional fees, \$3,000 of expenses pursuant to a monthly administrative services agreement, \$6,073 of transfer agent fees, other operating costs of \$550, offset by interest income on the Trust Fund investment of \$218,166. In addition to the consulting agreement discussed above, pursuant to an agreement we entered into as of 1 October 2004 and which was

terminated by us in March 2005, we incurred consulting fees of \$30,000 with a consulting firm that provided us with due diligence research on a prospective target business for a business combination (plus an additional \$6,883 of expenses incurred by this consultant which are included in professional fees above).

For the six months ended 30 June 2004, we incurred \$6,059 of travel expenses, \$9,286 of professional fees, \$1,742 of expenses pursuant to a monthly administrative services agreement, \$2,983 of transfer agent fees, other operating costs of \$1,310, interest expense of \$533, offset by interest income on the Trust Fund investment of \$18,025.

Net loss of \$262,609 for the period from 20 August 2003 (inception) to 30 June 2005 consisted of \$53,655 of travel expenses, \$117,881 of capital-based taxes, \$444,543 of professional fees, \$7,500 of expenses pursuant to a monthly administrative services agreement, transfer agent fees of \$16,671, other operating costs of \$3,374, interest expense of \$1,111, offset by interest income on the Trust Fund investment of \$382,126.

We consummated our initial public offering on 23 March 2004. Gross proceeds from our initial public offering were \$24,000,000. We paid a total of \$1,680,000 in underwriting discounts and commissions, and approximately \$1,095,000 was paid for costs and expenses related to the offering, including \$720,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds. On 30 March 2004, the underwriters exercised their over-allotment option to sell an additional 515,975 units. We paid a total of approximately \$216,700 in underwriting discounts and commissions, and approximately \$118,000 was paid for costs and expenses related to the offering, including approximately \$93,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds. After deducting the underwriting discounts and commissions, and the offering expenses, the total net proceeds to us from the offering were approximately \$23,986,000, of which approximately \$23,161,000 was deposited into the trust fund. As of 30 June 2005, we have \$345,426 in cash available to be used by us to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of 30 June 2005, there was approximately \$23,638,151 held in the trust fund.

We expect to use substantially all of the net proceeds of our initial public offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe we will have sufficient available funds outside of the trust fund to operate through 23 March 2006, assuming that a business combination is not consummated during that time. From our initial public offering through 23 March 2006, we anticipate approximately \$350,000 of expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of a business combination,

\$100,000 of expenses for the due diligence and investigation of a target business, \$90,000 of expenses in legal and accounting fees relating to our SEC reporting obligations, \$12,000 for the administrative fee payable to Sherleigh Associates LLC (\$500 per month for two years) and \$273,000 for general working capital that will be used for miscellaneous expenses and reserves, including approximately \$125,000 for director and officer liability insurance premiums. We continue to incur expenses related to our search for target businesses with which to complete a business combination. We do not believe we will need to raise additional funds, other than those funds we raised in our initial public offering, in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such fund raising simultaneously with the consummation of a business combination.

Commencing on 17 March 2004 and ending upon the acquisition of a target business, we incur a fee from Sherleigh Associates LLC of \$500 per month for providing us with office space and certain office and secretarial services. Jack Silver, one of our Initial Stockholders, is the principal investor and manager of Sherleigh Associates.

We will be forced to liquidate if we do not sign a letter of intent, an agreement in principle or a definitive agreement by 23 September 2005 with a target business in connection with a business combination. If we sign such an agreement, we will have an additional six months to consummate the business combination with such target business.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including our chief executive officer and principal financial officer, to allow timely decisions regarding required disclosure. We carried out an evaluation as of 30 June 2005, under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

There were no changes in our internal controls or in other factors that could have significantly affected those controls subsequent to the date of our most recent evaluation.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any pending material legal proceeding.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On 23 March 2004, we consummated our initial public offering of 4,000,000 Units, with each unit consisting of one share of our common stock and two warrants, each to purchase one share of our common stock at an exercise price of \$5.00 per share. The managing underwriter in the offering was Broadband Capital Management LLC. The securities sold in the offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-110906). The Securities and Exchange Commission declared the registration statement effective on 17 March 2004.

We paid a total of \$1,680,000 in underwriting discounts and commissions, and approximately \$1,095,000 has been or will be paid for costs and expenses related to the offering, including \$720,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds.

On 30 March 2004, the underwriters exercised their over-allotment option to sell an additional 515,975 units. We paid a total of approximately \$216,000 in underwriting discounts and commissions, and approximately \$118,000 has been paid for costs and expenses related to the offering, including approximately \$93,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds.

After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were approximately \$23,986,000, of which approximately \$23,161,000 was deposited into a trust fund and the remaining proceeds are available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. Through 30 June 2005, we have used approximately \$504,000 of cash for operating activities and expenses.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters To a Vote of Security Holders

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREAT WALL ACQUISITION CORPORATION
(Registrant)

Date: 15 August 2005
By: /s/ Kin Shing Li
Name: Kin Shing Li
Title: Chairman of the Board, Chief Executive Officer and Secretary
(Principal Executive Officer and Principal Financial and Accounting Officer)

A. Comfort letter on unaudited pro forma financial information of the Enlarged Group

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Lawrence (DFK) CPA Limited.

DFK**Lawrence (DFK) CPA Limited**

3/F., Hong Kong Trade Centre,
161-167, Des Voeux Road Central,
Central, Hong Kong

富勤**富勤會計師有限公司**

香港，中環，
德輔道中，161-167號，
香港貿易中心，3樓

30 November 2005

The Directors
Technology Venture Holdings Limited
Unit 1, 31/F.,
118 Connaught Road West,
Hong Kong

Dear Sirs,

Letter on the unaudited pro forma financial information for the 6 months ended 30 June 2005

We report on the unaudited pro forma financial information of Technology Venture Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out in the Company’s circular (the “Circular”) dated 30 November 2005 in connection with the disposal (“Disposal”) of 66,074,441 shares of ChinaCast Communication Holdings Limited (“ChinaCast”) and acquisition (“Acquisition”) of 3,103,543 shares of Great Wall Acquisition Corporation pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (referred hereinafter as “Listing Rules”). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Disposal and Acquisition might have affected the relevant financial information of the Group as at 30 June 2005 and for the 6 months then ended.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules.

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

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

The unaudited pro forma financial information has been prepared on the basis set out on the following pages for illustrative purpose only and, because of its nature, it may not be indicative of the financial position and results of the Group as at 30 June 2005 or for the 6 months then ended, or at any future dates or for any future periods.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Lawrence (DFK) CPA Limited
Hong Kong

B. Unaudited Pro Forma Consolidated Income Statement of the Group

The unaudited pro forma consolidated income statement of the Group as presented below has been prepared based on the published unaudited consolidated income statement of the Group for the 6 months ended 30 June 2005 and adjusted to illustrate the effect of the Disposal and Acquisition as if they had taken place on 1 January 2005.

The adjustment is based on the quoted market prices of the shares in question on 1 January 2005. The increase in other income is a result of higher market valuation of shares of Great Wall over ChinaCast. The adjustment has no continuing effect.

The unaudited pro forma consolidated income statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the results of the Group for the 6 months ended 30 June 2005 or any future periods.

	For the 6 months ended 30 June 2005			
	Unaudited HK\$'000	Adjustments HK\$'000	Note	Pro forma HK\$'000
Revenue	127,160			127,160
Cost of sales	(118,714)			(118,714)
Gross profit	8,446			8,446
Other income	913	61,709	1	62,622
Selling and distribution expenses	(4,022)			(4,022)
Administrative expenses	(17,913)			(17,913)
Other income	2,316			2,316
Other expenses	(439)			(439)
Impairment of goodwill	(20,602)			(20,602)
Profit (Loss) from operations	(31,301)			30,408
Finance costs	(526)			(526)
Profit (Loss) before taxation	(31,827)			29,882
Taxation	(773)			(773)
Profit (Loss) of the period	<u>(32,600)</u>			<u>29,109</u>
Attributable to:				
Equity holders of the parent	(29,968)			26,759
Minority interest	(2,632)			2,350
	<u>(32,600)</u>			<u>29,109</u>
Dividend Per Share	<u>NIL</u>			<u>NIL</u>
Earning (Loss) per share				
Basic (HK cents)	<u>(5.96)</u>			<u>5.32</u>
Diluted (HK cents)	<u>N/A</u>			<u>N/A</u>

C. Unaudited Pro Forma Consolidated Balance Sheet of the Group

The unaudited pro forma consolidated balance sheet of the Group as presented below has been prepared based on the published unaudited consolidated balance sheet of the Group as at 30 June 2005 and adjusted to illustrate the effect of the Disposal and Acquisition.

The adjustment is based on the quoted market prices of the shares in question on 30 June 2005. The increase in the amount of available-for-sale investments arises from higher market valuation of shares of Great Wall over ChinaCast. The adjustment has no continuing effect.

For the purpose of presenting the unaudited pro forma consolidated balance sheet of the Group as at 30 June 2005, it has been assumed that the Disposal and Acquisition took place on 30 June 2005.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and may not give a true picture of the financial position of the Group as at 30 June 2005 or at any future dates.

APPENDIX IV
**PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Unaudited HK\$'000	As at 30 June 2005 Adjustments HK\$'000	Note	Pro forma HK\$'000
Non-Current Assets				
Fixed assets	3,991			3,991
Deferred development costs	948			948
Jointly controlled entities	104			104
Available-for-sale investments	81,775	57,762	2	139,537
	<u>86,818</u>			<u>144,580</u>
Current assets				
Inventories	21,822			21,822
Trade receivable	43,879			43,879
Prepayments, deposits and other receivables	52,655			52,655
Due from an investee company	1,356			1,356
Pledged time deposits	3,138			3,138
Cash and bank balances	46,463			46,463
	<u>169,313</u>			<u>169,313</u>
Current liabilities				
Trade and bills payable	29,848			29,848
Tax payable	11,525			11,525
Accrued expenses and other payables	75,927			75,927
Secured bank loans	14,752			14,752
Current portion of obligation under finance lease	232			232
	<u>132,284</u>			<u>132,284</u>
Net Current assets	<u>37,029</u>			<u>37,029</u>
Total assets less current liabilities	<u>123,847</u>			<u>181,609</u>
Non-current liabilities				
Obligation under finance lease	152			152
Deferred tax	233			233
	<u>385</u>			<u>385</u>
	<u>123,462</u>			<u>181,224</u>
Equity attributable to equity holders of the parent:				
Share capital	50,273			50,273
Reserves	71,367	57,762	2	129,129
	<u>121,640</u>			<u>179,402</u>
Minority interest	<u>1,822</u>			<u>1,822</u>
	<u>123,462</u>			<u>181,224</u>

D. Unaudited Pro Forma Consolidated Cash flow Statement of the Group

The unaudited pro forma consolidated cash flow statement of the Group as presented below has been prepared based on the published unaudited consolidated cash flow statement of the Group for the six months ended 30 June 2005 and has not been adjusted to show the fact that the Disposal and Acquisition have no effect on cash flows had the Disposal and Acquisition taken place on 1 January 2005.

No cash will be involved as the proposed Acquisition of the Great Wall Shares is made in exchange of the ChinaCast Shares to be disposed of.

The unaudited pro forma consolidated cash flow statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the cash flows of the Group for the six months ended 30 June 2005 or any future periods.

	For the 6 months ended 30 June 2005			Pro forma HK\$'000
	Unaudited HK\$'000	Adjustments HK\$'000	Note	
Net cash outflow from operating activities	(24,018)			(24,018)
Net cash inflow from investing activities	22,159			22,159
Net cash outflow from financing activities	(31,443)			(31,443)
Net decrease in cash and cash equivalents	(33,302)			(33,302)
Cash and cash equivalents at beginning of period	44,989			44,989
Effect of foreign exchange rate changes, net	—			—
Cash and cash equivalents at end of period	<u>11,687</u>			<u>11,687</u>
Analysis of the balances of cash and cash equivalents:				
Cash and bank balances	12,500			12,500
Bank overdrafts, secured	(813)			(813)
	<u>11,687</u>			<u>11,687</u>

Notes to the unaudited pro forma financial information

Adjustments to the Pro Forma Financial Information for the 6 months ended 30 June 2005

Background

- (a) The disposal and acquisition transactions involve no exchange of cash.
- (b) The directors have confirmed with Great Wall that it has at present no formal policy on distribution of profits and future dividend policy will largely depend on the operating and financial results of its business.
- (c) ChinaCast has made no distribution to shareholders for the first 6 months of 2005.

Note 1. Adjustment that needs to be made to the Income Statement had the Disposal and Acquisition been undertaken on 1 January 2005, the commencement of the first six months of 2005

	Dr HK\$'000	Cr HK\$'000
Available-for-sale investment		
– Great Wall (a)	128,390	
– ChinaCast		
– Carrying Amount (b)		66,681
Other income (c)		61,709
	<u>128,390</u>	<u>128,390</u>

Calculation: HK\$'000

(a) Fair value of Consideration Shares of Great Wall on 1 January 2005:	
3,103,543 shares at US\$5.25 each	
(quoted market price)	
at translation rate of 7.80	127,090
Add: estimated transaction costs	1,300
	<u>128,390</u>
Total costs of acquisition	<u>128,390</u>

- (b) As per the Group's audited financial statements of 2004.
- (c) The realized gain is recognized in income in accordance with the Letter of Undertaking under which TVI has agreed to dispose of the 66,074,441 ChinaCast Shares it owns in exchange for the 3,103,543 Great Wall Shares noted in (a) above.

Note 2. Adjustment to the Balance Sheet on 30 June 2005 had the Disposal and Acquisition been undertaken on the reporting date of 30 June 2005

	Dr HK\$'000	Cr HK\$'000
Available-for-sale investment		
– Great Wall (a)	124,759	
– ChinaCast		
– Revalued Carrying Amount (b)		66,997
Reserves (c)		57,762
	<u>124,759</u>	<u>124,759</u>
Calculation:		HK\$'000
(a) Fair value of Consideration Shares of Great Wall on 30 June 2005: 3,103,543 shares at US\$5.10 each (quoted market price) at translation rate of 7.80		123,459
Add: estimated transaction costs		1,300
Total costs of acquisition		<u>124,759</u>
(b) Revalued Carrying Amount is the net book value of the investment in ChinaCast Shares as noted in the published unaudited Interim Financial Statements of the Group for the 6 months ended 30 June 2005:		HK\$'000
Cost		66,681
Revaluation to fair value as per HKAS 39(46)		316
Carrying Amount as at 30 June 2005		<u>66,997</u>

- (c) The gain of approximately HK\$57,762,000 is reflected in the balance sheet in compliance with Rule 4.29(1) of the Listing Rules. This gain is the net sum added to Reserves of the Group comprising the gain on disposal of the ChinaCast Shares after elimination of the previous unrealized revaluation gain of the said Shares from the Reserves on their disposal:

	<i>HK\$'000</i>
Value of consideration shares	124,759
Less: cost	66,681
	<hr/>
	58,078
Less: unrealized gain on revaluation	316
	<hr/>
	<u>57,762</u>

E. Management discussion and analysis of the financial information condition and result of operation of the Enlarged Group

For the year ended 31 December 2002

Review of performance

In 2002, the Group's turnover decreased 40% year on year to HK\$343,868,000 (2001: HK\$576,387,000), largely because of a drop in sales of hardware both in the mainframe and computer peripheral units, reflecting the Group's strategic measures to shift its income base from hardware sales to service provision. The new direction, which came into effect last year, was in line with market demand trends and intended to generate steady and recurrent cash-based revenues.

During the year, the Group re-aligned its focus on higher-margin servicing business and continued to pursue a series of consolidation and rationalization measures, resulting in the achievement of improved gross margins and operating results. Excluding the non-recurring loss on disposal of DMX Technologies Group Limited ("DMX Technologies") and provisions of HK\$122,325,000, the loss attributable to shareholders of the Group for 2002 decreased by approximately 53% to HK\$25,544,000, compared with HK\$54,928,000 in 2001, excluding the provision of HK\$33,880,000.

Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002 (2001: Nil).

Review of operations*Core business*

TopAsia Computer Limited (“TopAsia”) continues its transformation into a services provider with its operating mechanism restructured to complement this goal. Significant efforts have been invested into strengthening relationships with financial institutions and exploring cooperation potential with them. In addition to its traditional business as one of the leading automatic teller machines (“ATM”) systems integrators in China, TopAsia is geared to becoming a comprehensive solutions provider for the financial services sector.

In large storage market, TopAsia has advanced its partnership with EMC Corporation (“EMC”), the world’s largest independent provider of enterprise intelligence storage systems and software, and was named by EMC as the “Best Logistics Operator 2002”.

In addition to traditional network integration projects, TopAsia has made a successful entry into the customer relationship management (“CRM”) market through a cooperation arrangement with NCR Corporation (“NCR”). It has developed a highly effective CRM system for China Postal Bureau, using NCR’s data warehouse system.

TopAsia believes that active business pursuits must be supported by refined internal structure and cost-efficient operating mechanism. In 2002, it was awarded the internationally recognized ISO9001:2000 quality assurance certificate, reflecting the division’s dedication in optimising management structure, financial system and business flows.

Looking ahead, TopAsia will continue to build growth and create value on services, or more specifically the provision of comprehensive services for a digitalised financial industry. It will also step up co-operation with ATM manufacturers for automated product offerings, and with NCR and EMC for new business opportunities relating to data storage and databank systems.

TopAsia experienced a year of consolidation in 2002 that led to a sharpened focus and a well-defined business direction for 2003. Further efforts will be made to lower operating costs, improve efficiency and enhance the division’s competitiveness in taking up challenges ahead.

Sequent China/Hong Kong Limited (“Sequent China”), the Group’s mainframe systems-integration arm for China’s banking and finance sector, sustains its privileged market position for Symmetry and Numa-Q mainframe systems and services, and has secured all of the related technical support and maintenance services contracts. Hardware upgrade and expansion services were also provided for several existing banking customers.

Product diversification has always been a major initiative for Sequent China. It has set up a special task force to explore and develop niche products to increase the computing power of existing and potential customers. Products developed included PolyServer and Solid State Discs, a new-generation file-caching product designed to enhance applications contributing to enterprise-grade data-center solutions.

In 2003, Sequent China will capitalise on its mainframe expertise to gear towards the development of data centers for financial and educational establishments as a new income stream of significant potential. It is envisaged that the business of Sequent China will be assimilated into TopAsia as a consolidated platform for IT service offerings. The two teams are now working closely together to provide comprehensive solutions for customers.

In view of the bleak outlook for Hong Kong's e-commerce and public-sector demands for software services, TopSoft Limited has shifted its focus to China and other viable businesses. The team has therefore been redeployed to the Group's other divisions.

Advanced Digital Technology Company Limited ("ADT") is a 55%-owned subsidiary of the Group. It develops and provides advanced systems-integration and software solutions for the banking and finance sector in China.

Jointly with Microsoft China, it has secured a landmark business network catalogue management consultancy contract for the head office of the Industrial and Commercial Bank of China ("ICBC"), making it the first and only provider of this specific service. ADT plans to market this management consultancy services to other branches of ICBC in 2003.

ADT also opened up a new revenue stream in network maintenance services. In this area, ADT has concluded agreements with seven branches of ICBC and two branches of the China Construction Bank ("CCB"). The goal for 2003 is to expand the business scope to 15 branches. ADT aims at becoming a comprehensive network security service provider to ICBC. To facilitate this, ADT has formed co-operation pacts with international leading network management providers NetScout Systems, Inc. and Packeteer Inc. to launch enhanced solutions and professional consultancy services.

In 2002, ADT successfully developed and registered 12 new software products targeted at banks in China, including software for information management and foreign exchange trading. Registration application is also in process for two additional software products. The division believes that it has grown its software portfolio to a desirable scale for more pro-active and export-driven sales and marketing campaigns, and will continue efforts to develop state-of-the-art software with broader prospects.

The division's international software department will also explore outsourcing projects of larger scale for more stable income and as an additional income source other than NEC Corporation of Japan.

To ensure all software products are of international standards, ADT has set up a process-monitoring unit at its software development center to strengthen management control. Intensive grooming is in place for two to three team members to secure official accreditation as project managers, and there are also pursuits to elevate the software development center to attain the CMM3 performance standards. The division believes that, through more effective quality control, profit margin will be improved. In fact, ADT has been admitted as a member of the esteemed Society of Software Enterprises, reflecting the division's recognised reputation in the field. The division's paramount development capability is further ascertained as its ESTAT statistics system has become a sponsored project by the innovation fund of the Haidian District in Beijing PRC for the year.

ADT is geared to expand its customer base with the addition of at least one large-scale bank and increase its product offerings in 2003.

New growth area: Education and Training

TVH's new business initiative to tap the vast and rapidly growing education and training market of China was a result of its association with ChinaCast, in which the Group holds as a long-term strategic investment. ChinaCast continues to be the leading provider of satellite-based distance learning services in China.

In December 2002, ChinaCast and the Group joined hands with China Northeast Normal University and Beijing Dong Shi Da Co to finance and launch China's first integrated education resources portal teacher.com.cn for teachers and principals of primary and secondary schools in China, under a profit sharing arrangement. ChinaCast operates the satellite link while the Group is the supplier of mainframes, middleware, databases and application software.

More than 10 million teachers at some 570,000 primary and secondary schools in China are required by law to renew their teaching certificates every five years. Satellite-based distance learning through teacher.com.cn is recognized by the Ministry of Education in the PRC as counting towards the certificates. It is estimated that the portal earnings would exceed HK\$90 million in two years.

In 2000, ChinaCast launched a broadband interactive education platform for general education purposes, benefiting hundreds of primary and secondary schools. The platform has integrated excellent education resources from Central Education Science Institute, Beijing Normal University's Experimental Secondary School and Jingshan School and is recognized by authorities and schools in Jilin, Shanxi and Hebei provinces in the PRC.

ChinaCast achieved significant progress in the provision of tertiary education and professional training services to practitioners in need of recognized qualification. In addition to the MBA distance-learning program with Peking University, it has also completed collaborative programs with 14 higher education establishments, including Sha'anxi Normal University, Southwest Normal University and Beijing University of Aeronautics. In professional training, co-operation arrangements have been entered into with the training centers of the Judiciary, People's Daily and the China Coal Industry Safety Bureau, following its collaboration with the Ministry of Labour and Social Security.

As the Group will be actively developing the education and training services market in China in 2003, its collaboration with ChinaCast and its education and government partners will play a pivotal role in this major drive.

DMX Technologies

In October 2002, the Group announced the disposal of its entire 61% interests in DMX Technologies for HK\$50 million, incurring a non-recurring loss of approximately HK\$119,309,000. The disposal decision was made to facilitate the listing of DMX Technologies on SGX-ST, as the Group was unable to secure a waiver from the Stock Exchange for the remaining units of the Group from the minimum profit requirement as set out in Rule 8.05 of the Listing Rules pursuant to paragraph 3(c) of Practice Note 15 of the Listing Rules.

Prior to its listing, DMX Technologies leveraged on the Group's resources to finance its operations and development. The Directors considered that if DMX Technologies could not obtain the necessary funding from a listing, a significant management and financial burden would arise on the part of the Group to support the operation of DMX Technologies which nevertheless would in turn affect other businesses of the Group. The Directors therefore considered that there would be serious damaging effects to the operation of DMX Technologies which in turn would affect the operations and operating results of the Group if DMX Technologies failed to obtain a separate listing status. This would also cause a significant diminution in the value of the Group's investment in DMX Technologies.

Liquidity and financial resources

Net assets

As at 31 December 2002, the Group recorded total assets of approximately HK\$323,036,000 which were financed by liabilities of approximately HK\$144,585,000 and equity of approximately HK\$172,542,000. The Group's net asset value as at 31 December 2002 decreased by 30% to approximately HK\$172,542,000 as compared to approximately HK\$245,747,000 as at 31 December 2001.

Liquidity

The Group had total cash and bank balances of approximately HK\$90,655,000 as at 31 December 2002 (2001: approximately HK\$129,045,000). After deducting bank loans and overdrafts of approximately HK\$12,993,000 (2001: approximately HK\$36,917,000), the Group recorded a net cash balance of approximately HK\$77,662,000 as compared to that of approximately HK\$92,128,000 as at 31 December 2001. As at 31 December 2002, the current ratio has been changed to 1.84 (2001: 1.67) and the gearing ratio has been changed to 0.08 (2001: 0.15) which defined as the Group's interest-bearing and secured bank loans and finance lease payables over its total equity.

Charges on assets

At 31 December 2002, fixed deposits of approximately HK\$30,425,000 (2001: HK\$31,936,000) were pledged to banks to secure banking facilities granted.

Treasury policies

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in Hong Kong. The subsidiaries of the Company in the PRC use short-term borrowing in the PRC to finance working capital, which amount to HK\$12 million. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts and term loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate. Both bank deposits and borrowings are mainly in Hong Kong dollars and United States dollars ("US dollars").

Contingent liabilities

At 31 December 2002, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$86 million, of which HK\$60 million was provided by the Group to a bank for banking facilities granted to DMX Technologies, a subsidiary disposed of during the year. The guarantee in respect of the banking facilities granted to DMX Technologies was terminated on 24 February 2003.

As at 31 December 2002, the banking facilities granted to the subsidiaries and DMX Technologies were utilized to the extent of approximately HK\$1,106,000 and HK\$4,825,000 respectively.

The Group has contingent liability in respect of possible future long service payments to employees under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “Employment Ordinance”) as some of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal as long as the policy of the Government of Hong Kong to link the Hong Kong dollars to the US dollars remains in effect.

Employee and remuneration policies

As at 31 December 2002, the Group employed approximately 370 full time staff in China and Hong Kong. The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

Application of proceeds

In May 2002, the Company received net proceeds of approximately HK\$30 million through a placement to institutional and professional investors. The Group has utilised it as general working capital.

For the year ended 31 December 2003

Financial performance

The Group’s financial performance in 2003, excluding all contributions from disposed subsidiary, DMX Technologies, was encouraging.

Turnover for the Group grew by 39% from HK\$188,784,000 in 2002 (excluding DMX) to HK\$261,692,000 in 2003. Despite difficult economic environment experienced in the earlier part of the year, the focus and directions undertaken have started to yield results. This was reflected in the improved sales performance from all business segments.

Gross profit margin fell from 20% in 2002 (excluding DMX Technologies) to 14% in 2003. The decrease in gross profit margin was due to fierce competition especially in the maintenance services market. Gross profit decreased slightly from HK\$37,267,000 in 2002 (excluding DMX Technologies) to HK\$36,284,000 in 2003 as a result of higher turnover achieved during the year.

Loss attributable to shareholders reduced significantly from HK\$147,869,000 to HK\$15,382,000. Excluding the extraordinary loss for DMX Technologies and provision of HK\$122,325,000 in 2002, and the provision of HK\$8,129,000 made in 2003, the Group's loss also narrowed by 72% from HK\$25,544,000 in 2002 to HK\$7,190,000 in 2003.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2003 (2002: Nil).

Core business

IT solutions and system integration

The integration of the Group's core competencies in hardware and software solutions has borne well for both TopAsia and Sequent China. The combined operation continued to target at the banking and finance sector of China.

2003 was a year of progressive development and positive results for TopAsia. Despite a soft start of the year with the outbreak of the SARS, TopAsia succeeded to achieve all the designated targets in product sales, cost control, productivity enhancement and business integration.

Self-service banking products and services, including ATM, continued to be a significant growth driver. By aligning sales strategy closer with market demands, TopAsia regained its top-three NCR distributor status. In addition, TopAsia was qualified by the Bank of Shanghai as a designated supplier and also awarded a contract by the Postal Bureau of the Tibet Autonomous Region in the PRC.

Maintenance services continued to be fiercely competitive with unit fee on downward spiral. Nevertheless, TopAsia's comprehensive point-of-service network, prompt response and quality services have helped it widen its service scope for Bank of Communications, adding to its maintenance service portfolio new branches in Taiyuan, Xian, Nanjing, Nantong, Changzhou, Changsha, Hefei and Ningbo, etc. This made TopAsia the fastest growing systems service provider of Bank of Communications.

In respect of China Merchants Bank ("CMB"), TopAsia retained its leading service provider status for self-service banking products, primarily ATMs, cash deposit machines and automatic enquiry machines. The biggest thrill came from the opening of maintenance service for self-service banking products by Bank of China ("BOC") to non-manufacturers. TopAsia seized the opportunity and engineered a

spectacular win for the service tenders for branches in Chongqing, Zhejiang and Henan in the PRC.

Storage and networking business picked up tremendous growth momentum in 2003. Through cooperating with EMC, the world's largest storage equipment supplier, TopAsia strengthened its market presence in Eastern China with two equipment tender wins from the Shanghai Securities Central Clearing and Registration Corporation, and also contracts with China Unicom, Zhejiang Branch, Anhui Mobile Communication and the Postal Bureau of Shanghai, etc.

The successful alliance with NCR to develop data storage business has encouraged TopAsia to partner with Ascential Software Corp. ("Ascential"), a world-renowned manufacturer of software management products, to market its core Datastage software. The result was remarkable with contracts already signed for the head office of the Shanghai Pudong Development Bank, Shanghai General Motors Company Limited and Nanyang Brothers Tobacco (Hong Kong) in which TopAsia also served as the project manager.

In respect of networking products, sales growth remained steady and encouraging. Apart from fostering closer business relationships with existing clients such as Shanghai Foreign Exchange Centre and the People's Insurance Company of China Shanghai Branch Office, TopAsia also started to supply to a renowned mainland IT stalwart UTStarcom peripheral products such as CPU, hard disks, networking monitors, etc. Contracts valued at more than RMB5 million were already sealed.

TopAsia's integration with Sequent

For mainframe systems, TopAsia retained all the service contracts for former Sequent China clients, primarily BOC, CCB, City Commercial Bank, Postal Savings and Remittance Bureau and Commercial Department. New service contracts for STK and HDS products were also successfully concluded with Hangzhou City Commercial Bank and the Jiangxi Branch of the CCB.

On the system integration front, TopAsia helped implement an information system development project for Hangzhou City Commercial Bank and made a breakthrough with the government sector. The division participated in the implementation of the border control monitoring system for the Public Security Department and successfully completed the first pilot at the Beijing Capital International Airport.

In line with the Group's focus on developing online education services, TopAsia has formed a taskforce to empower the software capabilities of teacher.com.cn, China's official continuous education portal for primary and secondary school teachers. This software solution which specialises in education, website enhancement and training systems will serve as the core foundation for TopAsia to undertake solutions of much larger scale.

TopAsia will continue its two-pronged focus on self-service products and services, and data business in 2004. In respect of the former, TopAsia will retain its multi-brand strategy and refine its client development focus to coastal regions, especially eastern and central China, for greater cost efficiency. Sales and service capacity will be expanded by adding four more points of service to the existing network of 26.

Data business has proved to be an area of tremendous potential. TopAsia will continue to work with EMC to expand sales of networking and storage hardware products by promoting large capacity storage and back-up systems to enterprises in the telecommunications, financial and manufacturing sectors. The division will also tighten cooperation with Ascential to market Datastage products in Shanghai and peripheral areas with the clinching of eight to ten new contracts as the 2004 target.

On mainframe systems and system integration, TopAsia will improve upon the existing platform for more efficient business development and expansion.

Internally, TopAsia further streamlined manpower, enhanced technology capacity and effectively controlled overheads within budget. Cash flow situation was also improved with more efficient funds management, close follow-up on account receivables and successful opening of credit channels. TopAsia also met the review criteria and retained its ISO9000 management quality accreditation.

Software

The Group's software vehicle, 55%-owned ADT, has strategized its product and services offerings into three major lines: software development and productisation, network systems and mainframe systems.

Named one of China's top 100 software companies for 2003, ADT's well recognised expertise further facilitated its business development activities. It has become one of the five service providers for network development and safety of ICBC. On the other hand, CCB has also authorised ADT a supplier B qualification for SI services and ADT is now one of CCB's six service providers for integrated data networks, representing a breakthrough development for the division.

The year also saw the successful product development of Starring 3.0 platform for enterprise application, further strengthening the division's technological competitiveness in the financial sector. The introduction of commercial bank teller monitoring system has also made ADT a pioneer in the field.

ADT expects the authorised service provider status with ICBC and CCB to generate a steady stream of new business for the division. Software development and introduction will be stepped up and aligned with the demands of mainland banks.

In April 2004, ADT won the CCB tender for the implementation of a data archive management system in all of its 39 branches throughout China over the next two years. The successful win reflects CCB's recognition of ADT's capabilities to provide advanced professional solutions to digitalise financial data.

Online education through ChinaCast

In 2003, ChinaCast continued to be the Group's strategic platform to develop the education and training service business in China, with the technological support of the subsidiaries of the Company. University distance learning programs became a significant revenue growth contributor during the period, primarily because more partner universities had started to recruit distance-learning students and there was also an increase in the number of student enrolment by existing partner universities. Altogether, 11 of ChinaCast's partner universities had enrolled distance-learning students in 2003.

As China's leading distance learning services provider with a nationwide satellite delivery network, ChinaCast has been responsive to applying its resources to good deeds. It launched on 30 April 2003 the K-12 Video Classroom, a free Internet distance learning service for primary and high school students, to address the educational needs during the period of SARS quarantine.

Since then, collaboration arrangements were also entered into with the China Children Foundation for the An Kang project, pursuant to which, ChinaCast will disseminate educational materials to children all over the country through distance-learning channels.

2003 also saw launches of new online programs on ChinaCast's interactive education platform, the Great West Distance Learning Program to provide vocational training content to eight remote provinces, and the enrichment of distance learning content.

ChinaCast will be actively developing the enterprise communication market in 2004 in addition to the public sector and government authorities. In 2003, ChinaCast has already committed to the purchase of a new 2-way platform to target at the enterprise market. There were discussions with several potential customers in 2003 for the commencement of enterprise communication services in 2004.

Outlook

According to market analyst CCW Research, IT spending in China will post an annual composite growth rate of 18.5% from 2005 to 2009. For 2004, IT sales in China, services are expected to record the largest growth of 27%. The IT industry landscape in China is shifting progressively towards service offerings, an area that is anticipated by industry practitioners to record fastest growth. The re-positioning of the Group over the past years has been perfectly timed and placed to capitalise on this trend.

TopAsia will continue to further develop self-service products and services, and data business in 2004. TopAsia believes that the worse is over for the industry as a whole, and the division is heading towards healthy business development and steady growth. Higher contribution and returns are expected for the Group.

ADT's latest win of the CCB tender for the implementation of a data archive management system in all of its 39 branches throughout China will be a stable income for the division for the next two years. It is expected that this esteemed recognition of ADT's industry expertise will facilitate business expansion in software, network and mainframe systems.

Already a silver partner to CISCO, ADT is working towards a gold partnership in 2004.

Meanwhile, the Group's management remains confident in the overall online education and enterprise communication markets in China and will continue to explore possible ventures or collaboration with ChinaCast in this area. ChinaCast's planned listing in Singapore represents an encouraging validation of the Group's ongoing policy to build individual business segments into fully-fledged independent entities, to the benefits of the Group and shareholders.

Liquidity and financial resources

Net assets

As at 31 December 2003, the Group recorded total assets of approximately HK\$371,276,000 which were financed by liabilities of approximately HK\$206,572,000 and equity of approximately HK\$157,173,000. The Group's net asset value as at 31 December 2003 decreased by 9% to approximately HK\$157,173,000 as compared to approximately HK\$172,542,000 as at 31 December 2002.

Liquidity

The Group had total cash and bank balances of approximately HK\$108,303,000 as at 31 December 2003 (2002: approximately HK\$90,655,000). After deducting bank loans and overdrafts of approximately HK\$39,339,000 (2002: approximately HK\$12,993,000), the Group recorded a net cash balance of approximately HK\$68,964,000 as compared to that of approximately HK\$77,662,000 as at 31 December 2002. As at 31 December 2003, the current ratio was 1.37 (2002: 1.84) and the gearing ratio was 0.26 (2002: 0.08) which was defined as the Group's interest-bearing and secured bank loans and finance lease payables over its total equity.

Charges on assets

At 31 December 2003, fixed deposits of approximately HK\$16,000,000 (2002: HK\$30,425,000) were pledged to banks to secure banking facilities granted.

Treasury policies

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in Hong Kong. The subsidiaries of the Company in PRC use short-term borrowings in the PRC to finance working capital, which amounted to HK\$39,000,000 as at 31 December 2003. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts and term loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate. Both bank deposits and borrowings are mainly in Hong Kong dollars and US dollars.

Contingent liabilities

At 31 December 2003, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$20,000,000.

As at 31 December 2003, the banking facilities granted to the subsidiaries were utilised to the extent of approximately HK\$4,528,000.

The Group has contingent liability in respect of possible future long service payments to employees under the Employment Ordinance as some of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal as long as the policy of the Government of Hong Kong to link the Hong Kong dollars to the US dollars remains in effect.

Employee and remuneration policies

As at 31 December 2003, the Group employed approximately 320 full time staff in China and Hong Kong. The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

For the year ended 31 December 2004

Financial performance

The Group reported a turnover of HK\$237,841,000 in 2004 compared with HK\$261,692,000 a year ago. Gross profit dropped to HK\$27,165,000 from HK\$36,284,000 in 2003. The declines were primarily attributable to fierce competition, ADT's scaling down in the business with ICBC due to the contraction of their IT spending, and also the market's slow response to TopAsia's launch of the new Data Warehouse application in 2004.

Profit margin was down by 3 percentage points to 11% from 14% in 2003. Loss attributable to shareholders was HK\$26,853,000, up from HK\$15,382,000 last year.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2004 (2003: nil).

Review of core businesses*IT solutions and systems integration: TopAsia*

TopAsia continued to target at the growing banking and finance sector of China, with the provision of repair and maintenance services to self-service banking facilities as the core operation. 2004 was a year of solid business development for TopAsia.

TopAsia achieved encouraging business growth with BOC and China Postal Bureau when it successfully secured after-sales repair and maintenance servicing tenders for almost 400 ATMs for BOC branches in Henan, Shaanxi, Chongqing and Zhejiang in the PRC.

At the annual tender of CMB, TopAsia secured the service provider position for three of six service requests for ATMs, automatic deposit machines and automatic enquiry machines, and also two product dealerships for Diebold ATMs and revolving cash deposit and withdrawal machines, therefore making it the largest service provider and product dealer for CMB.

The development of a standard ATMP software for its ATM system was a key focus for China Postal Bureau in 2004. TopAsia's superb expertise in the technology allowed it to win the tenders in 11 provinces, including Anhui, Hubei, Hunan, Shaanxi and Zhejiang in the PRC.

TopAsia continued to lead in the marketing and sales of ATMs in China. Orders in the amount of RMB40 million were obtained from Postal Bureaus of Hubei and Zhejiang, BOC Jiangsu Branch, CMB Shenzhen Branch, Bank of Shanghai and Nanjing City Commercial Bank.

TopAsia's cooperation with renowned mainland IT stalwart UTStarcom, the inventor of "Little Smart" (or Xiaolingtong) mobile services, has been very successful. Orders in the amount of RMB26 million were secured for the provision of peripherals to Little Smart facilities and multi-media workstations.

Software: ADT

The Group's software vehicle, 55%-owned ADT, has won further recognition as a leading IT enterprise for its software prowess. It was named a China top 100 software company for 2004 and a top 100 solution provider among top 500 mainland computer corporations in Computer Partner World's CPW 500 poll, and a creditworthy enterprise in 2004 by Beijing Zhongguancun Sci-Tech Guaranty Co., Ltd. and Zhongguancun Business Advancement Institute.

Importantly, the division's president Ms Fan Liming was named one of the Top 10 Prominent Personalities in Financial Technology as a recognition for her outstanding contribution.

ADT also passed the Gold Enterprise Accreditation for CISCO, further strengthening its competitiveness in network construction. In the data centralisation process for CCB, ADT has succeeded in broadening its market share in data transfer, front office system, information interface, and other niche business segments. Its cooperation with CCB has been expanded to 24 branches, further extending its influence in integrated data network and services.

Significant progress was also made in respect of the outsourcing business for Japanese market, with a revenue growth of 50% in 2004.

Online education through ChinaCast

In 2004, ChinaCast continued to be the Group's strategic investment to develop the education and training service business in China, with the technological support of the subsidiaries of the Company. The K-12 distance learning and educational content solutions segment continues to be ChinaCast's principal revenue contributor.

The university distance learning solutions segment shows a satisfactory and promising performance. In addition to the existing eight universities which are already generating revenues, two more universities have been signed up with student enrolment in progress.

The enterprise networking products and services segment, which commenced marketing operations at the end of first quarter of 2004, also progressed well. The first major enterprise customer, Taikang Life Insurance Co., Ltd. ("Taikang") is in beta testing and full commercial service is expected very soon.

Outlook

Looking ahead at 2005, TopAsia will continue to control cost, develop business, enhance profitability and improve operating performance. The segment will focus its efforts primarily on further broadening the client base for self-service products and services, enlarging the scope of services and also expanding the geographical reach. The segment will also build on its relationship with major banks, including ICBC, Agricultural Bank of China, BOC, CCB and Bank of Communications to attain its 10% growth target in new customers.

TopAsia will also accelerate the development of its data intergration business. It will continue to work with Ascential and strengthen cooperation with ETL in product research and sales, including the development of complementary software solutions to enhance market competitiveness. It will continue to team up with EMC to push sales of large capacity storage and contingency back-up systems to enterprises in the financial, securities and government sectors.

Through further leveraging on the cooperation with UTStarcom, TopAsia aims to better capitalise on business development opportunities for multi-media and telecommunication sectors, and to supply a large range of peripherals and products. A sales target of RMB50 million has been set by TopAsia for this year.

ADT's impressive credentials will help drive its business development efforts. The very strong ties with CCB will help generate more business in integrated data network and services.

ChinaCast will step up its efforts in the insurance and banking sector as its project with Taikang serves as a good springboard for further inroads. Additional strategic sales opportunities in these sectors as well as in other key sectors have been identified and it is expected that an additional 2-3 major customers will be secured within the first half of 2005. ChinaCast is currently ramping up its sales, marketing and customer support staff to meet the demands of the market.

Expansion of ChinaCast's satellite network operations center in Beijing is in progress to pave way for the delivery of the latest DirecWay satellite hub upgrade to enable two-way broadband satellite services that are essential for growing the enterprise market in 2005.

Liquidity and financial resources

Net assets

As at 31 December 2004, the Group recorded total assets of approximately HK\$325,450,000 which were financed by liabilities of approximately HK\$190,306,000 and equity of approximately HK\$130,690,000. The Group's net asset value as at 31 December 2004 decreased by 17% to approximately HK\$130,690,000 as compared to approximately HK\$157,173,000 as at 31 December 2003.

Liquidity

The Group had total cash and bank balances of approximately HK\$84,998,000 as at 31 December 2004 (2003: approximately HK\$108,303,000). After deducting bank loans and overdrafts of approximately HK\$45,617,000 (2003: approximately HK\$39,339,000), the Group recorded a net cash balance of approximately HK\$39,381,000 as compared to that of approximately HK\$68,964,000 as at 31 December 2003. As at 31 December 2004, the current ratio was 1.26 (2003: 1.37) and the gearing ratio was 0.35 (2003: 0.26) which was defined as the Group's interest-bearing bank loans and finance lease payables over its total equity.

Charges on assets

At 31 December 2004, fixed deposits of approximately HK\$5,141,000 (2003: HK\$16,470,000) were pledged to banks to secure banking facilities granted.

Treasury policies

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in Hong Kong. Subsidiaries in the PRC use short-term borrowings in the PRC to finance working capital, which amounted to HK\$45,617,000 as at 31 December 2004. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts and term loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate. Both bank deposits and borrowings are mainly in Hong Kong dollars and US dollars.

Contingent liabilities

At 31 December 2004, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$20,000,000.

As at 31 December 2004, the banking facilities granted to the subsidiaries were utilized to the extent of approximately HK\$1,170,000.

The Group has no material contingent liability in respect of possible future long service payments to employees under the Employment Ordinance as some of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised as at 31 December 2004 in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in US dollars and Renminbi. Foreign exchange exposure of the Group is minimal as long as the policy of the Government of Hong Kong to link the Hong Kong dollars to the US dollars remains in effect.

For further information regarding the Group's liquidity and financial resource and capital structure of the Group, please refer the notes 23 to 26 of the financial statements of the Company for the year ended 31 December 2004 in Appendix IV to this circular.

Employee and remuneration policies

As at 31 December 2004, the Group employed approximately 360 full time staff in China and Hong Kong. The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include

mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

For the six months ended 30 June 2005

Financial performance

Turnover for the Group in the first half of 2005 grew 22% to HK\$127,160,000 from HK\$104,362,000.

Gross profit fell 39% to HK\$8,446,000 from HK\$13,827,000 in 2004 as a result of fierce market competition during the period and gross profit margin was further narrowed to 7% from 13% in 2004 because of the squeeze in the profit margin caused by fierce competition.

Loss attributable to shareholders grew by 227% to HK\$29,968,000 from a loss of HK\$9,157,000 in 2004.

Review Of core businesses

IT solutions and systems integration: TopAsia

TopAsia maintained its competitiveness in the banking and finance sector of China during the first half of the year through enhanced efficiency, quality services, comprehensive network and active cost control measures.

The division's core business – the provision of repair and maintenance services to self-service banking facilities – was challenged when demand from postal ATMP software development fell drastically from the same period in 2004 and as several large clients had their facilities upgraded, the amount of repair and maintenance work was substantially reduced.

Nevertheless, the division managed to achieve a comparable amount of after-sales order through its professional strengths, fast responses and dedicated services. New clients including of CMB, Shenyang Branch and Bank of Communications, Hangzhou Branch were successfully secured in the first half of the year.

At the annual tender of CMB, TopAsia secured the service provider qualification for Diebold ATMs, Siemens cash dispenser, and Siemens cash deposit machines (CDMs) and automatic enquiry machines (AEMs), therefore further strengthening the niche competitiveness of the Division with the most prolific solutions in the CMB system.

Regarding sales of self-service banking products, TopAsia continued to cooperate closely with renowned manufacturers such as NCR and Diebold to clinch supplier's contracts for ATMs, CDMs and AEMs with Shanghai Bank, City Commercial Bank Hangzhou Branch and Taizhou Branch, Bank of China Jiangsu Branch, Postal Bureau of Hubei, CMB Branches in Lanzhou, Shanghai and Guangzhou in the PRC.

The partnership with the world's largest supplier for storage facilities EMC continued to bring benefits to TopAsia. Two new contracts were secured in the country's most thriving eastern region – the capacity expansion solution for Jiangsu Mobile Communications and the storage equipment contract for Fujian Development Bank.

The Division also provides information management and information warehousing protection services to banking and financial institutions, and is teaming up with the Shanghai Securities Central Clearing and Registration Corporation to conduct pilot tests on such services. It is expected that the Division will be able to undertake protection services for large-scale information warehousing systems.

TopAsia's cooperation with IT stalwart UTStarcom, the inventor of "Little Smart" (or Xiaolingtong) mobile services, continues to drive the market with a 15% growth in sales during the period under review, further strengthening the Division's status as the designated provider for its IPTV peripherals.

Software: ADT

The Group's software vehicle, 55%-owned ADT, continued to secure industry acclaim as a leading IT enterprise with niche strengths. A renowned computer publication Computer Partner World named ADT a top 100 solution provider, and most importantly, a top 10 financial solution provider among top 500 mainland computer corporations. It was also recognized as a grade "A" taxation creditworthy enterprise by State Taxation Bureau of the Beijing City.

As the CCB is actively marketing the "銀保通" services that offers insurance products over the bank counters, ADT has won the tender for the provision of "customer services managerial system, and "branch information platform" to a number of branches. ADT will continue to further capitalize on the opportunities arising from the Bank of Construction's "銀保通" services nationwide.

In addition, the division also secured the tender to install a front end system for Shunde Rural Credit Society 順德農村信用社, marking its first inroad into the credit society segment and paving the way for further marketing and promotions to other rural credit societies.

Despite ADT's success in industry recognition and new projects, its core business – the provision of system integration services and software development – is beleaguered with a substantial influx of competitors into the marketplace, largely because of the low capital investment entry barriers. Fierce competition has been eroding ADT's pricing and gross profit margins for the past few years.

The newcomers have been putting a severe strain on the supply of experienced information technology specialists and qualified programmers in China's banking sector information. The resulting high staff turnover rate at ADT – some 34% and 44% respectively for the two years ended 31 December 2004 – inexorably undermined ADT's project delivery capacity, and such delayed completions were inevitably translated into additional costs and reduced gross margins.

Another challenge that ADT has to cope with is the higher capital requirement as its major customers, banks in China, have been demanding longer credit despite a shrinking turnover.

Online education: ChinaCast

In the reporting period, ChinaCast continued to be the Group's strategic satellite platform to permeate the education and training service sector in China, with the technological support of the subsidiaries of the Company. The division reported a 23.4% increase in net profit to RMB22,300,000 during the first half, largely driven by a 21% growth in student enrollment for the university distance learning segment and satisfactory stable performance for the K-12 distance learning and educational content solutions segment.

ChinaCast, recently ranked 186th among 615 listed companies in the Business Times Corporate Transparency Index in Singapore, has also signed a joint venture with Tsinghua Tongfang Co. Ltd. that has further added 20,000 students in six universities to ChinaCast's university distance learning portfolio.

The enterprise networking products and services segment, which commenced marketing operations at the end of first quarter of 2004, is moving ahead steadily. The joint venture project for the development of a post office communication network in Hunan, PRC and other adjacent provinces is progressing well.

ChinaCast also entered into a memorandum of understanding with School of Business and Technology Corp. ("CIBT") to deliver educational programmes provided by these CIBT and their US academic partners throughout China, using ChinaCast's broadband satellite network. These CIBT will also develop selected courses to students at more than 300 ChinaCast training centres nationwide.

Outlook

Looking ahead, TopAsia will continue to capitalise its strengths in the self-service banking products to acquire more clients and more orders through enhanced services. More active marketing will be deployed to promote sales for NCR and Diebold products for the financial and postal sectors, especially Diebold ATMs and AEMs within the CMB system.

As financial enterprises in China have been experiencing phenomenal growth, the Division anticipates tremendous business development prospect for information warehousing and will continue to team up with relevant manufacturers to expand its presence in the sector with more applications.

Finally, TopAsia will further intensify its internal cost control management to increase capital utilisation efficiency, and work towards passing the annual audit for the ISO9000 quality assurance certification in October.

On the software side, ADT plans to achieve the Ministry of Information's system integrator Level II qualification (it became a Level III enterprise in 2004). The relationship with rural credit societies is promising and may prove to be an area of quality. On the banking side, the division's status as a designated provider to ICBC has been further enhanced as there are fewer suppliers. It will also ride on CCB's implementation of "銀保通" services to gain more business orders.

However, as the operating environment of ADT becomes more difficult, the Group is considering various options as to the strategic development and future of ADT.

ChinaCast will continue to expand its customer base in different industry sectors. The latest success was the entry into China's energy sector through an agreement with Liaoning Xinsheng Digital Technology ("Liaoning Xinsheng") to provide a satellite-based supervisory control and data acquisition solution ("SCADA") for the Liaoning Rural Electricity project. There are also plans to extend the network to other provinces, such as Jilin and Inner Mongolia in the PRC.

The energy sector is set to be a key potential growth area for ChinaCast. The contract with Liaoning Xinsheng is expected to contribute to the Group's annual results.

Liquidity and financial resources*Net assets*

At 30 June 2005, the Group recorded total assets of approximately HK\$256,131,000 which were financed by liabilities of approximately HK\$132,669,000 and total net asset to equity holders of the parent amounted to approximately HK\$121,640,000. The Group's total net asset to equity holders of the parent as at 30 June 2005 decreased by 7% to approximately HK\$121,640,000 as compared to approximately HK\$130,690,000 as at 31 December 2004.

Liquidity

The Group had total cash and bank balances of approximately HK\$49,601,000 as at 30 June 2005 (At 31 December 2004: approximately HK\$84,998,000). After deducting bank loans and overdrafts of approximately HK\$14,752,000 (2004: approximately HK\$45,617,000), the Group recorded a net cash balance of approximately HK\$34,849,000 as compared to that of approximately HK\$39,381,000 as at 31 December 2004. As at 30 June 2005, the current ratio was 1.28 (At 31 December 2004: 1.26) and the gearing ratio was 0.12 (At 31 December 2004: 0.35) which was defined as the Group's interest-bearing and secured bank loans and finance lease payables over its equity attributable to equity holders of the parent.

Charges on assets

At 30 June 2005, fixed deposits of approximately HK\$3,138,000 (At 31 December 2004: HK\$5,141,000) were pledged to banks to secure banking facilities granted.

A bank loan facility to the extent of approximately HK\$9,434,000 (At 31 December 2004: approximately HK\$18,868,000) was secured by (i) a non-wholly owned subsidiary's trade receivables amounted to approximately HK\$2,977,000 (At 31 December 2004: approximately HK\$363,000) and; (ii) assets and unlimited personal guarantee provided by a non-wholly owned subsidiary's senior management.

Treasury policies

The Group generally finances its operations with internally generated resources and credit facilities provided by banks in Hong Kong. Subsidiaries in PRC use short-term borrowings in the PRC to finance working capital, which amounted to HK\$9,434,000 as at 30 June 2005. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts and term loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate. Both bank deposits and borrowings are mainly in Hong Kong dollars and Renminbi.

Contingent liabilities

At 30 June 2005, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$20,000,000.

At 30 June 2005, the banking facilities granted to the subsidiaries were utilised to the extent of approximately HK\$4,505,000.

The Group had no material contingent liability in respect of possible future long service payments to employees under the Employment Ordinance as some of current employees have achieved the required number of years of service to the Group, to the balance sheet date in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group's is minimal as long as the policy of the Government of Hong Kong to link the Hong Kong dollars to the US dollars remains in effect.

For further information regarding the Group's liquidity and financial resource and capital structure of the Group, please refer the notes 12 to 14 of the financial statements of the Company for the year ended 30 June 2005 in Appendix IV to this circular.

Employee and remuneration policies

As at 30 June 2005, the Group employed approximately 380 full time staff in China and Hong Kong. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

The valuation report on the property interests of the Group has been prepared for the sole purpose for the inclusion in this circular. The following is the text of the letter, summary of values and the valuation certificates received from Castores Magi (Hong Kong) Limited and addressed to the Company in connection with its valuation as at 30 October 2005 of the property interests of the Group.

嘉漫(香港)有限公司

CASTORES MAGI (HONG KONG) LIMITED
REGISTERED PROFESSIONAL SURVEYORS
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUER

CASTORES



MAGI

Suites 402-3
Unicorn Trade Centre
131 Des Voeux Road Central
Hong Kong

30 November 2005

The Directors
Technology Venture Holdings Limited
Room 3101
31st Floor
118 Connaught Road West
Hong Kong

Dear Sirs,

In accordance with your instruction to value the property interests in which Technology Venture Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the relevant properties as at 30 October 2005 (“date of valuation”).

Our valuations of the property interests in Group I and Group II are on the basis of Market Value which we would define as “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.” Market value is understood as the value of an asset estimate without regard to costs of sale or purchase and without any associated taxes.

Our valuations of the property interests in Group I and Group II have been made on the assumption that the owner sells the properties on the open market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would served to increase the value of the properties.

The property interests in Group I and Group II have been valued on a market basis assuming sale with vacant possession by reference to available market transaction. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the property interests in Group I in which the Government Leases expire before 30 June 1997, we have taken into account the provisions of Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China (the "PRC") on the question of Hong Kong and the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong) stipulating that such leases may be extended without premium until 30 June 2047, and that an annual rent at three per cent. of the rateable value of the property will be charged from the date of extension.

We have not attributed any commercial value to the rented properties in this certificate due mainly to the prohibition against assignment or sub-letting or lack of substantial profit rents. All the properties are rented by the Group and they have no commercial value to the Group. Therefore, there is no factor that will affect the value.

In valuing the property interests, we have adopted the basis of valuation and have made the valuation assumptions in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In valuing the properties in the PRC, we have complied with all the requirements contained in the Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters. We have not verified the information provided by the Group.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the relevant property but have assumed that the site area shown on the documents and official site plan handed to us are correct. Based on our valuation experience of similar properties in the People's Republic of China (the "PRC"), we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

We have inspected the exterior and, where possible, the interior of the properties, in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey, investigation or examinations have been made, but in the course of our inspection we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their value. There is no government rent payable by the Group.

We have been shown copies of various documents relating to the properties. Due to defects of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. We are not in a position to advise on the title of the properties. We have made reference to the opinion given by the Company's legal advisers on PRC laws in respect of the Group's rights to occupy the properties in Group II.

The scope of valuation has been determined with reference to the property list provided by the Group. All properties on the list have been included in the attached valuation certificate. The Group has confirmed to us that it has no property interests other than those specified on the list supplied to us.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company 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, and have no reason to suspect that any material information has been withheld.

The conclusion of values is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interests in the Group or the value reported.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
CASTORES MAGI (HONG KONG) LIMITED
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
China Registered Real Estate Appraiser
BSc., MRICS, MHKIS, RPS, MCI Arb, AHKI Arb
Director

Note: Deret Au Chi Chung is a Registered Professional Surveyor and has over 12 years of experience in valuing properties in Hong Kong and the properties of private and state-owned enterprises in over 100 towns and cities in the PRC. He also possesses over 7 years of experience in valuing properties in the Asia-Pacific region. His name is included on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Group I – Property interests rented by the Group in Hong Kong

Property	Capital value in existing state as at 30 October 2005 HK\$
1. Unit Nos. 1 and 10 on 31st Floor, “118 Connaught Road West” No. 118 Connaught Road West, Sheung Wan, Hong Kong.	No commercial value
2. Unit No. 04 on 20th Floor, Eastern Centre, No. 1065 King’s Road, Quarry Bay, Hong Kong.	No commercial value
Sub-Total:	Nil

Group II – Property interests rented by the Group in the People’s Republic of China

1. Level 4, Level 5 and Level 6 of Block D, Qing Dong Building, Che Dao Gou No. 1 Courtyard, Haidian District, Beijing, The PRC.	No commercial value
2. Unit 416 on Level 4, Hong Tong Building, No. 4 Hong Tong Lane, Dong Zong Bu Hu Tong, East District, Beijing, The PRC.	No commercial value
3. Unit 24J2 on Level 24, Zhao Feng Worldwide Building, No. 1800 Zhong Shan West Road, Xuhui District, Shanghai, The PRC.	No commercial value

Property	Capital value in existing state as at 30 October 2005 HK\$
4. Unit 1904-5 on Level 19, Rui Jin Building Office Tower, No. 205 Mao Ming South Road, Luwan District, Shanghai, The PRC.	No commercial value
5. Room 501 on Level 5, Heng Tong International Building, No. 855 Chang Ning Road, Changning District, Shanghai, The PRC.	No commercial value
6. Unit 8-9 on Level 12, Block A, Hua Ting Jia Yuan, No. 128 Jia Bin Road, Yuzhong District, Chongqing, The PRC.	No commercial value
7. Unit 1104 on Level 11, Hua Xia Building, No. 81 Zhong Shan Road, Nanjing City, Jiangsu Province, The PRC.	No commercial value
8. Unit 1105 on Level 11, Hua Xia Building, No. 81 Zhong Shan Road, Nanjing City, Jiangsu Province, The PRC.	No commercial value
9. Unit 1106 on Level 11, Hua Xia Building, No. 81 Zhong Shan Road, Nanjing City, Jiangsu Province, The PRC.	No commercial value

Property	Capital value in existing state as at 30 October 2005 HK\$
10. Unit 09 on Level 4, Nan Da Building, No. 63 Xin Hua Xia Road, Jiangnan District, Wuhan City, Hubei Province, The PRC.	No commercial value
11. Unit 602 on Level 6, Shang Hui Building, No. 138 Zhong Shan Road, Nanchang City, Jiangxi Province, The PRC.	No commercial value
12. Unit 1302 on Level 13, Fu An Building, Xin Fu City, No. 28 Jiu Cai Yuan, Changsha City, Hunan Province, The PRC.	No commercial value
13. Unit 3-802 on Level 8, Block No. 1, Tian Yuan Garden, No. 498 Wen San Road, Hangzhou, Zhejiang Province, The PRC.	No commercial value
14. Unit C on Level 8, Si Tong Building, No. 169 You Yi West Road, Xian City, Shaanxi Province, The PRC.	No commercial value

		Capital value in existing state as at 30 October 2005 HK\$
Property		
15.	Unit 402 on Level 4, No. 67 Small District, Shi Zi Street, Wuxi City, Jiangsu Province, The PRC.	No commercial value
16.	Unit 3-305 on Level 3, Block No. 14, Jiang Bin Small District, Jinhua City, Zhejiang Province, The PRC.	No commercial value
17.	Unit 401 on Level 4, No. 34 Jiao Jiang Feng Shan, Taizhou, Zhejiang Province, The PRC.	No commercial value
18.	Office Unit Nos. 05 and 07 on Level 15, Long Hui Building, No. 5 Long Kou East Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC.	No commercial value
Sub-Total:		Nil
Grand Total:		Nil

VALUATION CERTIFICATE

Group I – Property interests rented by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
1. Unit Nos. 1 and 10 on 31st Floor, “118 Connaught Road West” No. 118 Connaught Road West, Sheung Wan, Hong Kong.	<p>The property comprises an office unit on 31st Floor of a multi-storey office building. The building was completed in about 1994.</p> <p>The property has a lettable area of about 2,896 sq. ft. (about 269 sq. m.).</p> <p>The property is currently occupied by the Group for office purpose.</p>	The property is rented by the Group for a term of 2 years commencing from 16 July 2005 to 15 July 2007 at a monthly rent of HK\$23,168 exclusive of rates, Government rent, management fees and other outgoings.	No commercial value

Notes:

1. The landlord is Pretty Honour Investment Limited.
2. The tenant is Sequent China/Hong Kong Ltd., a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
2. Unit No. 04 on 20th Floor, Eastern Centre, No. 1065 King's Road, Quarry Bay, Hong Kong.	<p>The property comprises an industrial unit on 20th Floor of a 21-storey industrial building. The building was completed in about 1987.</p> <p>The property has a lettable area of about 3,853 sq. ft. (about 358 sq. m.).</p> <p>The property is currently occupied by the Group for warehouse purpose.</p>	<p>The property is rented by the Group for a term of 2 years commencing from 16 June 2004 to 15 June 2006 at a monthly rent of HK\$20,000 exclusive of rates, Government rent, management fees and all outgoing charges.</p>	No commercial value

Notes:

1. The landlord is Cheng Wai Chun.
2. The tenant is Topasia Computer Limited, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.

Group II – Property interests rented by the Group in the People’s Republic of China

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
1. Level 4, Level 5 and Level 6 of Block D, Qing Dong Building, Che Dao Gou No. 1 Courtyard, Haidian District, Beijing, The PRC.	<p>The property comprises the whole 4th, 5th and 6th Levels of a 10-storey office building. The building was completed in 1980s.</p> <p>The property has a total lettable area of about 1,797.85 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>Level 4 of the property is rented by the Group for a term of 2 years commencing from 1 February 2005 to 31 January 2007 at an annual rent of RMB569,400 exclusive of water, electricity and telephone charges.</p> <p>Level 5 of the property is rented by the Group for a term of 6 months commencing from 1 September 2005 to 28 February 2006 at a half-yearly rent of RMB266,085 exclusive of electricity and telephone charges.</p> <p>Level 6 of the property is rented by the Group for a term of 1 year commencing from 1 September 2005 to 31 August 2006 at an annual rent of RMB600,000 exclusive of electricity and telephone charges.</p>	No commercial value

Notes:

- The landlord is 北京青東物業管理中心.
- For Levels 4 and 6, the tenant is 北京先進數通信息技術有限公司. For Level 5, the tenants are 北京先進數通信息技術有限公司, 北京先進數科信息技術有限公司, 北京先進數通融安信息技術有限公司, 宏昌思群(北京)計算機技術服務有限公司 and 香港思群計算機系統中國有限公司北京代表處. Except for 北京先進數科信息技術有限公司 and 北京先進數通融安信息技術有限公司 which are related companies, all of them are the subsidiaries of the Group.
- The landlord is not a related party with the tenant.
- According to the opinion provided by the Company’s legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
2. Unit 416 on Level 4, Hong Tong Building, No. 4 Hong Tong Lane, Dong Zong Bu Hu Tong, East District, Beijing, The PRC.	<p>The property comprises an office unit on 4th Floor of a 7-storey office building. The building was completed in about 1986.</p> <p>The property has a lettable area of 64.28 sq. m.</p> <p>The property is currently occupied by the Group for office and ancillary workshop purposes.</p>	<p>The property is rented by the Group for a term of 1 year commencing from 15 October 2005 to 14 October 2006 at an annual rent of RMB77,640 exclusive of management fees and all outgoing charges.</p>	No commercial value

Notes:

1. The landlord is 北京市弘通物業管理有限公司.
2. The tenant is 冠亞信息科技服務(上海)有限公司北京辦事處, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
3. Unit 24J2 on Level 24, Zhao Feng Worldwide Building, No. 1800 Zhong Shan West Road, Xuhui District, Shanghai, The PRC.	<p>The property comprises an office unit on 24th Floor of a 28-storey (plus 1 basement level) office building. The building was completed in about 2002.</p> <p>The property has a lettable area of 174.43 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term of 3 years commencing from 18 March 2005 to 17 March 2008 at a monthly rent of RMB17,508.41 exclusive of management fees and all outgoing charges.</p>	No commercial value

Notes:

1. The landlord is Wang Duncan Wen Shan (王文杉).
2. The tenant is 北京先進數通信息技術有限公司上海辦事處, a non wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

APPENDIX V

VALUATION REPORT ON THE PROPERTY INTERESTS OF THE GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
4. Unit 1904-5 on Level 19, Rui Jin Building Office Tower, No. 205 Mao Ming South Road, Luwan District, Shanghai, The PRC.	<p>The property comprises two adjoining office units on Level 19 of a 27-storey (plus 1 carparking basement level) office building. The building was completed in about 1985.</p> <p>The property has a lettable area of about 191.5 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term of 3 years and 10 days commencing from 5 September 2005 to 14 September 2008 at a daily rent of RMB1,269.65 exclusive of management fees of RMB4,762.61 per month.</p>	No commercial value

Notes:

1. The landlord is 上海瑞金大厦有限公司.
2. The tenant is 冠亞科技(上海)有限公司, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
5. Unit 501 on Level 5, Heng Tong International Building, No. 855 Chang Ning Road, Changning District, Shanghai, The PRC.	<p>The property comprises an office unit on Level 5 of a 23-storey office building. The building was completed in about 1998.</p> <p>The property has a lettable area of about 35.9 sq.m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is borrowed by the Group for a term of 2 years commencing from 1 July 2005 to 30 June 2007 at a monthly fee of RMB6,000 being the room borrowing fee and management fees.</p>	No commercial value

Notes:

1. The lender is 上海搏邦地產投資顧問有限公司.
2. The borrower is 上海阿加斯網絡科技有限公司, a wholly-owned subsidiary of the Group.
3. The lender is not a related party with the borrower.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the agreement entered into by the lender and the borrower above is a leasing agreement in nature. During the above term, the Group has a legal right to occupy the property.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
6. Unit 8-9 on Level 12 Block A, Hua Ting Jia Yuan, No. 128 Jia Bin Road, Yuzhong District, Chongqing, The PRC.	The property comprises an office unit on Level 12 of a 31-storey residential/commercial composite building. The building was completed in 1997. The property has a lettable area of about 120 sq. m. The property is currently occupied by the Group for office purpose.	The property is rented by the Group for a term of 1 year commencing from 22 March 2005 to 21 March 2006 at an annual rent of RMB27,000 exclusive of management fees, water, electricity, gas, telephone and broadband internet charges.	No commercial value

Notes:

1. The landlord is 萬燕.
2. The tenant is 冠亞信息科技服務(上海)有限公司, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
7. Unit 1104 on Level 11, Hua Xia Building, No. 81 Zhong Shan Road, Nanjing City, Jiangsu Province, The PRC.	<p>The property comprises an office unit on Level 11 of a 32-storey office building. The building was completed in about 1997.</p> <p>The property has a lettable area of about 160 sq.m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term of 1 year commencing from 1 January 2005 to 31 December 2005 at an annual rent of RMB100,000 exclusive of management fees.</p>	No commercial value

Notes:

1. The landlord is 夏敏莉.
2. The tenant is 冠亞信息科技服務(上海)有限公司南京辦事處, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
8. Unit 1105 on Level 11, Hua Xia Building, No. 81 Zhong Shan Road, Nanjing City, Jiangsu Province, The PRC.	<p>The property comprises an office unit on Level 11 of a 32-storey office building. The building was completed in about 1997.</p> <p>The property has a lettable area of about 160 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term of 3 years commencing from 1 April 2003 to 31 March 2006 at an annual rent of RMB100,000 exclusive of management fees.</p>	No commercial value

Notes:

1. The landlord is 余玉清.
2. The tenant is 冠亞信息科技服務(上海)有限公司南京辦事處, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
9. Unit 1106 on Level 11, Hua Xia Building, No. 81 Zhong Shan Road, Nanjing City, Jiangsu Province, The PRC.	<p>The property comprises an office unit on Level 11 of a 32-storey office building. The building was completed in about 1997.</p> <p>The property has a lettable area of about 122 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term commencing from 1 July 2005 to 31 December 2005 at a total rent of RMB33,500.</p>	No commercial value

Notes:

1. The landlord is 賴振興.
2. The tenant is 冠亞信息科技服務(上海)有限公司南京辦事處, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
10. Unit 09 on Level 4, Nan Da Building, No. 63 Xin Hua Xia Road, Jiangnan District Wuhan City, Hubei Province, The PRC.	<p>The property comprises an office unit on Level 4 of a 20-storey office building. The building was completed in 2000.</p> <p>The property has a lettable area of about 118.6 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term of 1 year commencing from 14 April 2005 to 14 April 2006 at a monthly rent of RMB2,950.</p>	No commercial value

Notes:

1. The landlord is 湖北南達房地產開發有限公司.
2. The tenant is 冠亞信息科技服務(上海)有限公司, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
11. Unit 602 on Level 6, Shang Hui Building, No. 138 Zhong Shan Road, Nanchang City, Jiangxi Province, The PRC.	<p>The property comprises an office unit on Level 6 of a 10-storey office building. The building was completed in 1999.</p> <p>The property has a lettable area of about 83 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term 1 year commencing from 10 April 2005 to 9 April 2006 at a monthly rent of RMB2,150.</p>	No commercial value

Notes:

1. The landlord is 南昌市工商聯物業管理中心.
2. The tenant is 冠亞信息科技服務(上海)有限公司南昌辦事處, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
12. Unit 1302 on Level 13, Fu An Building, Xin Fu City, No. 28 Jiu Cai Yuan Changsha City, Hunan Province, The PRC.	<p>The property comprises an office unit on Level 13 of a 16-storey residential/commercial composite building. The building was completed in 1997.</p> <p>The property has a lettable area of about 107.11 sq. m.</p> <p>The property is currently occupied by the Group for office and staff quarters purposes.</p>	<p>The property is rented by the Group for a term of 1 year commencing from 16 April 2005 to 15 April 2006 at a monthly rent of RMB2,300, exclusive of water electricity, gas, cable television and management charges.</p>	No commercial value

Notes:

1. The landlord is 吳燕.
2. The tenant is 冠亞信息科技服務(上海)有限公司, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
13. Unit 3-802 on Level 8, Block No. 1, Tian Yuan Garden, No. 498 Wen San Road, Hangzhou, Zhejiang Province, The PRC.	<p>The property comprises an office unit on Level 8 of a 18-storey residential/commercial composite building. The building was completed in 1998.</p> <p>The property has a lettable area of about 79.91 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	The property is rented by the Group for a term 1 year commencing from 21 January 2005 to 20 January 2006 at a monthly rent of RMB1,780.	No commercial value

Notes:

1. The landlord is 李偉.
2. The tenant is 冠亞信息科技服務(上海)有限公司, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
14. Unit C on Level 8, Si Tong Building, No. 169 You Yi West Road, Xian City, Shaanxi Province, The PRC.	<p>The property comprises a domestic unit on Level 13 of a 16-storey commercial/residential composite building. The building was completed in about 1997.</p> <p>The property has a lettable area of about 105 sq. m.</p> <p>The property is currently occupied by the Group for office and staff quarters purposes.</p>	The property is rented by the Group for a term of 1 year commencing from 9 April 2005 to 8 April 2006 at a monthly rent of RMB1,800.	No commercial value

Notes:

1. The landlord is 陝西環球科技文化交流公司.
2. The tenant is 冠亞信息科技服務(上海)有限公司西安辦, a wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
15. Unit 402 on Level 4, No. 67 Small District, Shi Zi Street, Wuxi City, Jiangsu Province, The PRC.	<p>The property comprises a domestic unit on Level 3 of a 7-storey residential building. The building was completed in about 1990.</p> <p>The property has a lettable area of about 65 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	The property is rented by the Group for a term commencing from 16 December 2004 to 16 December 2005 at a monthly rent of RMB900.	No commercial value

Notes:

1. The landlord is 王雲先.
2. The tenant is 鄒琦, an engineer of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
16. Unit 3-305 on Level 3, Block No. 14, Jiang Bin Small District, Jinhua City, Zhejiang Province, The PRC.	<p>The property comprises a domestic unit on Level 3 of a 7-storey residential building. The building was completed in 1990.</p> <p>The property has a lettable area of about 83 sq. m.</p> <p>The property is currently occupied by the Group for staff quarters purpose.</p>	<p>The property is rented by the Group for a term of 1 year commencing from 19 January 2005 to 18 January 2006 at a monthly rent of RMB800.</p>	No commercial value

Notes:

1. The landlord is 沈雪蓮.
2. The tenant is 王榮明, an engineer of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
17. Unit 401 on Level 4, No. 34 Jiao Jiang Feng Shan, Taizhou, Zhejiang Province, The PRC.	<p>The property comprises a domestic unit on Level 4 of a 5-storey residential building. The building was completed in 1980's.</p> <p>The property has a lettable area of about 65 sq. m.</p> <p>The property is currently occupied by the Group for staff quarters purpose.</p>	<p>The property is rented by the Group for a term of 1 year commencing from 18 January 2005 to 17 January 2006 at an annual rent of RMB9,600.</p>	No commercial value

Notes:

1. The landlord is 李冬嬌.
2. The tenant is 楊建林, an engineer of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 October 2005 HK\$
18. Office Unit Nos. 05 and 07 on Level 15, Long Hui Building, No. 5 Long Kou East Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC.	<p>The property comprises two office units on Level 15 of a 16-storey office building. The building was completed in about 1996.</p> <p>The property has a lettable area of 107.78 sq. m.</p> <p>The property is currently occupied by the Group for office purpose.</p>	<p>The property is rented by the Group for a term of 2 years commencing from 1 July 2004 to 30 June 2006 at a monthly rent of RMB5,173 exclusive of monthly management fees of RMB1,617.</p>	No commercial value

Notes:

1. The landlord is 廣州市普經濟發展有限公司.
2. The tenant is 北京先進數通信息技術有限公司廣州辦事處, a non wholly-owned subsidiary of the Group.
3. The landlord is not a related party with the tenant.
4. According to the opinion provided by the Company's legal advisers on PRC laws, the Group has a legal right to occupy the property during the above term.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Note	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Chan Tze Ngon		Beneficial owner	125,542,000	Long	24.97%
Wu Emmy	1	Beneficial owner	5,000,000	Long	0.01%
Tang Kin Hung	1	Beneficial owner	5,000,000	Long	0.01%

Note:

- These Shares would be allotted and issued to Mr. Wu and Mr. Tang upon their exercising of the share option granted to them in November 2003.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which

were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(B) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Interests in the Shares

Name of Shareholder	No. of Shares held	Position	Approximate percentage of issued share capital
Li Yiu Wai	54,621,849	Long	9.80 %

(ii) Interests in shares of associated corporations of the Company

Name of subsidiary	Name of entity	Class and no. of securities	Percentage shareholdings
Advanced Digital Technology Co., Ltd	Aryalin Associates Ltd.	450 shares of US\$1 each (L)	45 %
TVH Cyber Technology Ltd.	Yi Jun Yong	200 ordinary shares of HK\$1 each (L)	20 %
BMC Software (China) Ltd.	BMC Software (HK) Ltd.	1 ordinary share of HK\$1 (L)	10 %

L: represents the entity's interests in the securities

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company), including companies of which the Director/proposed directors is an employee, who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Director was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. EXPERTS

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

Name	Qualification
Lawrence (DFK) CPA Limited	Certified Public Accountants
Castores Magi (Hong Kong) Limited	Professional Valuer

Each of Lawrence (DFK) CPA Limited, and Castores Magi (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion, letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Lawrence (DFK) CPA Limited, and Castores Magi (Hong Kong) Limited does 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 securities in any member of the Group.

5. LITIGATION

北京先進數通信息技術有限公司 (Beijing Advanced Digital Information Technology Company Limited*) (“**Beijing Advanced**”), a 55% subsidiary of the Company, has entered into a contract (the “**Contract**”) with one of its customers in the securities industry (the “**Customer**”) for installation of networking system (the “**Work**”). Over 80% of the Work has been performed by Beijing Advanced but in breach of the Contract, the Customer refused to pay the fees payable to Beijing Advanced under the Contract (the “**Fees**”). Accordingly, Beijing Advanced commenced legal proceedings in 上海市虹口區人民法院 (Shanghai Hongkou District People’s Court*) (the “**Court**”) against the Customer for the recovery of the Fees and the liquidated damages. As at the Latest Practicable Date, the current status of this litigation was that the Court had appointed a valuer to evaluate the value of the Work and the litigation was still in progress.

Save as disclosed, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Group was made up.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. MATERIAL CONTRACTS

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

- (i) the sale and purchase agreement dated 3 November 2004 and entered into between ChinaCast and the Group for the acquisition of 20% of the registered capital of Beijing Dongshi Shuangwei Education Technology Company Limited at a consideration of RMB15 million;
- (ii) the sale and purchase agreement dated 19 August 2005 and entered into between Li Yiu Wai and TVI for the sale and purchase of the one share of US\$1.00 in the share capital of and the shareholder’s loan due by Acacia Asia Partners Limited at a total consideration of HK\$13 million;

* for identification purpose only

- (iii) the Letter of Undertaking;
- (iv) the sale and purchase agreement dated 30 September 2005 and entered into between Prosper Success Investments Limited and Advanced Digital Technology Company Limited (HK) for the sale and purchase of the entire registered capital of Beijing Advanced Information Technology Company Limited (北京先進數通信息技術有限公司); and
- (v) the sale and purchase agreement dated 30 September 2005 and entered into between Aryalin Associates Limited and TVI for sale and purchase of 450 shares of US\$1.00 in the share capital of Advanced Digital Technology Company Limited (BVI).

9. MISCELLANEOUS

- (a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.
- (b) As at the Latest Practicable Date, neither Lawrence (DFK) CPA Limited, Castores Magi (Hong Kong) Limited nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The head office and principal place of business of the Company in Hong Kong is located at Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong.
- (e) The company secretary and the qualified accountant of the Company is Ms. Tong Pui Wah, Lisa, who is a fellow member of various accountancy bodies in UK and Hong Kong. Ms. Tong has 16 years' experience in finance and administration with large multi-national groups.
- (f) The Company's branch share registrar and transfer office in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office of the legal advisers of the Company, Michael Li & Co. at 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong from the date of this circular up to and including 15 December 2005 and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2004;
- (c) the written statement from Lawrence (DFK) CPA Limited setting out the adjustments made in arriving at the figures as shown in financial information of the Group for the three years ended 31 December 2004 and the six months ended 30 June 2005;
- (d) the accountants' report of the Group prepared by Lawrence (DFK) CPA Limited, the text of which is set out in Appendix II to this circular;
- (e) the letter from Lawrence (DFK) CPA Limited in respect of the principal differences between the generally accepted accounting principles in the US and in Hong Kong, the text of which is set out in Appendix III to this circular;
- (f) the filing of the annual reports of Great Wall for the two years end 31 December 2004 and the interim report of Great Wall for the six months ended 30 June 2005, the text of which is set out in Appendix III to this circular;
- (g) the letter from Lawrence (DFK) CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which of set out in Appendix IV to this circular;
- (h) the valuation report prepared by Castores Magi (Hong Kong) Limited in relation to the property interests of the Group, the text of which is set out in Appendix V to this circular;
- (i) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (j) the written consents of the experts referred to in the paragraph headed "Experts" in this appendix;
- (k) the circular dated 17 January 2005 in relation to the acquisition of 20% of the registered capital of Beijing Dongshi Shuangwei Education Technology Company Limited;
- (l) the circular dated 17 September 2005 in relation to the acquisition of the entire issued share capital of and the shareholder's loan due by Acacia Asia Partners Limited; and
- (m) the circular dated 10 November 2005 in relation to the disposal of the entire issued share capital of 北京先進數通信息技術有限公司 (Beijing Advanced Digital information Technology Company Limited) and the acquisition of the remaining 45% equity interests in Advanced Digital Technology Company Limited.



TECHNOLOGY VENTURE HOLDINGS LIMITED

(宏昌科技集團有限公司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 61)

NOTICE IS HEREBY GIVEN that a special general meeting (the **"Meeting"**) of Technology Venture Holdings Limited (the **"Company"**) to be held at Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong on Friday, 16 December 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

"THAT the letter of undertaking (the **"Letter of Undertaking"**) dated 13 September 2005 signed by Technology Venture Investments Limited (**"TVI"**), and a wholly-owned subsidiary of the Company, in relation to the disposal of 66,074,441 shares of US\$0.08 each in the capital of ChinaCast Communication Holdings Limited (**"ChinaCast"**) by TVI to Great Wall Acquisition Corporation (**"Great Wall"**) and the transactions contemplated thereunder including the acceptance of the pre-conditional voluntary offer (the **"Offer"**) to be made by Great Wall to acquire the entire issued share capital of ChinaCast and the election to receive the share consideration for the shares of US\$0.08 each in the capital of ChinaCast (each a **"ChinaCast Share"**) pursuant to the Offer, in which for each ChinaCast Share, Great Wall will offer 0.046970408 share of US\$0.001 each in the capital of Great Wall to the shareholders of ChinaCast as consideration be and are hereby authorised, confirmed and approved and that the directors of the Company be and are hereby authorised to do all such further acts and things, take all steps and execute all such further documents which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or implement the transactions contemplated under the Letter of Undertaking."

By order of the Board
Technology Venture Holdings Limited
Chan Tze Ngon
Chairman

Hong Kong, 30 November 2005

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Room 3101
31st Floor
118 Connaught Road West
Hong Kong

* *for identification purpose only*

NOTICE OF SGM

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.