



SHENZHEN HIGH-TECH HOLDINGS LIMITED

深圳科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 106)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2005

GROUP FINANCIAL HIGHLIGHTS

- Turnover in 2005 increased by 12.9% to HK\$440,887,000 compared with HK\$390,552,000 in 2004.
- Gross profit in 2005 increased by 12.1% to HK\$83,908,000 compared with HK\$74,872,000 in 2004.
- Loss for the year 2005 was HK\$4,359,000; HK\$19,352,000 for the year 2004.
- Loss attributable to shareholders of the Company for the year 2005 was HK\$4,246,000; HK\$17,275,000 for the year 2004.
- Loss per share for the year 2005 was 0.030 cent; 0.124 cent for the year 2004.
- The Directors have resolved not to recommend the payment of dividend.

RESULTS

The board of directors (the "Board") of Shenzhen High-Tech Holdings Limited (the "Company") would like to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2005, together with the comparative figures of 2004, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	3	440,887	390,552
Cost of sales and services		(356,979)	(315,680)
Gross profit		83,908	74,872
Other income		13,772	6,438
Selling and distribution costs		(46,085)	(33,837)
Administrative expenses		(51,284)	(72,435)
Other operating expenses		(4)	(23,810)
Finance costs	5	(133)	(2,466)
Share of results of associates		5,916	1,590
Share of results of jointly controlled entities		(6,303)	(1,534)
Net gain on disposal of subsidiaries		-	32,796
Loss before taxation	4	(213)	(18,386)
Taxation	6	(4,146)	(966)
Loss for the year		(4,359)	(19,352)
Attributable to:			
Equity holders of the Company		(4,246)	(17,275)
Minority interests		(113)	(2,077)
		(4,359)	(19,352)
Loss per share	7	(HK0.030) cent	(HK0.124) cent

CONSOLIDATED BALANCE SHEET

At 31st December, 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (restated)
Non-current assets			
Investment properties		115,000	115,000
Property, plant and equipment		35,057	36,283
Prepaid lease payments		4,000	4,100
Interests in associates		117,966	111,522
Amounts due from associates		-	23,424
Interests in jointly controlled entities		13,084	19,022
Amount due from a jointly controlled entity		-	4,158
Investments in securities		4,808	-
Deferred tax assets		5,731	6,742
		295,646	320,251
Current assets			
Properties held for sale		297,962	300,632
Inventories		76,707	154,168
Trade receivables	8	84,259	55,832
Other receivables		25,805	50,631
Prepaid lease payments		100	100
Amounts due from associates		22,716	-
Amount due from a jointly controlled entity		4,166	-
Loan to a jointly controlled entity		15,610	14,739
Investments held for trading		208	980
Bank balances, deposits and cash		122,693	123,137
		650,226	700,219
Current liabilities			
Trade payables	9	52,002	101,728
Other payables, deposits received and accrued charges		106,279	84,554
Bank loan - unsecured		-	47,170
Taxation payable		5,618	4,315
		163,899	237,767
Net current assets		486,327	462,452
Net assets		781,973	782,703
Capital and reserves			
Share capital		143,533	143,533
Reserves		638,440	639,046
Equity attributable to equity holders of the Company		781,973	782,579
Minority interests		-	124
Total equity		781,973	782,703

Notes:

1. BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

The consolidated financial statements have been prepared under the historical cost basis except investment properties and investments held for trading, which are measured at fair values.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

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

Share-based payment

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

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

Owner-occupied leasehold interest in land

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

Investment properties

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

Deferred taxes related to investment properties

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

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

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

Summary of the effects of the changes in accounting policies

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

	2005 HK\$'000	2004 HK\$'000
Decrease in share results of associates	(1,845)	(1,805)
Decrease in taxation	1,845	1,805
Net effect in profit for the year	-	-

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

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

The financial effects of the application of the new HKFRSs to the Group's equity on 1st January, 2004 is the inclusion of the minority interests of HK\$10,459,000 in the equity.

3. SEGMENT INFORMATION

The analysis of the Group's turnover and results by business segments is as follows:

	High-tech computers and servers manufacturing and related business		Property investment, development and trading		Ophthalmology treatments		Others		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER												
External sales	423,290	277,242	16,726	84,894	-	7,513	871	20,903	-	-	440,887	390,552
Inter-segment sales	-	-	-	636	-	-	2,255	1,660	(2,255)	(2,296)	-	-
Total	423,290	277,242	16,726	85,530	-	7,513	3,126	22,563	(2,255)	(2,296)	440,887	390,552
SEGMENT RESULTS	12,008	(9,770)	7,687	11,686	-	40,574	2,313	(21,080)	(2,255)	(2,296)	19,753	19,114
Unallocated other income											1,568	1,125
Unallocated corporate expenses											(21,014)	(69,011)
Finance costs											(133)	(2,466)
Share of results of associates	(1,824)	(46)	649	(4,592)	-	-	7,091	6,228	-	-	5,916	1,590
Share of results of jointly controlled entities	(6,303)	(1,534)	-	-	-	-	-	-	-	-	(6,303)	(1,534)
Net gain on disposal of subsidiaries	-	-	-	50,739	-	(17,943)	-	-	-	-	-	32,796
Loss before taxation											(213)	(18,386)
Taxation											(4,146)	(966)
Loss for the year											(4,359)	(19,352)

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

4. LOSS BEFORE TAXATION

The Group's loss before taxation has been arrived at after charging:

	2005 HK\$'000	2004 HK\$'000
Staff costs:		
Directors' remuneration		
- fees	1,200	1,200
- other emoluments	6,516	6,455
- retirement benefit scheme contributions	52	71
	7,768	7,726
Retirement benefit scheme contributions for other staff	529	816
Severance payment	-	1,744
Other staff costs	30,256	33,785
	38,553	44,071
Allowance for bad and doubtful debts	2,197	1,258
Allowance for inventories (included in cost of sales and services)	2,436	2,902
Auditors' remuneration	1,100	880
Consultancy fees for business development (included in administrative expenses)	-	2,410
Cost of inventories recognised as an expense	221,798	123,115
Depreciation	4,083	7,497
Impairment loss of property, plant and equipment (included in administrative expenses)	-	3,303
Net exchange losses	441	3
Loss on disposal of property, plant and equipment (included in administrative expenses)	2,066	248
Minimum lease rentals in respect of rented premises	4,682	7,793
Loss arising from change in fair value of investments held for trading	772	453
Written off/amortisation of goodwill	4	23,810
and after crediting:		
Bank interest income	1,690	1,125
Bad debts recovered	-	1,000
Gain arising from change in fair value of investments held for trading	-	626
Loan interest income	871	588
Rental income under operating leases, less outgoings of HK\$534,700 (2004: HK\$3,065,000)	8,295	9,641
Reversal of allowance for bad and doubtful debts	-	690
Reversal of write-down of inventories	2,294	-

5. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans wholly repayable within five years	133	2,466

6. TAXATION

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
PRC Enterprise Income Tax		
Current year	2,043	1,233
Underprovision in the prior years	963	-
	3,006	1,233
Deferred taxation	1,140	(267)
Taxation charge for the year	4,146	966

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have any assessable profit in Hong Kong for both years.

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

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st December, 2005 is based on the loss for the year attributable to the equity holders of the Company of HK\$4,246,000 (2004: HK\$17,275,000) and on the weighted average number of ordinary shares of 14,353,310,755 (2004: 13,948,108,569) shares in issue during the year.

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

8. TRADE RECEIVABLES

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

	2005 HK\$'000	2004 HK\$'000
Within 30 days	50,657	21,111
31 to 90 days	10,352	11,750
91 to 180 days	12,174	2,363
181 to 365 days	6,689	17,072
Over 365 days	4,387	3,536
	84,259	55,832

9. TRADE PAYABLES

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

	2005 HK\$'000	2004 HK\$'000
Within 30 days	33,602	82,850
31 to 90 days	10,152	8,228
91 to 180 days	5,867	8,164
181 to 365 days	1,251	313
Over 365 days	1,130	2,173
	52,002	101,728

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31st December, 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS**Results**

Total turnover of the Group for the financial year 2005 amounted to HK\$440,887,000 (2004: HK\$390,552,000), representing an increase of 12.9% as compared to the previous financial year. During the year under review, the Group's gross profit and loss attributable to shareholders of the Company were HK\$83,908,000 and HK\$4,246,000 respectively (2004: gross profit was HK\$74,872,000, loss attributable to shareholders of the Company was HK\$17,275,000). The gross profit margin was 19.0%, as compared to 19.2% for last year. During the year under review, the Group accounted for a write-off of goodwill at approximately HK\$4,000. (2004: amortisation and impairment losses of goodwill amounting to an aggregate amount of HK\$23,810,000, and net gain on disposal of subsidiaries engaging in property investment and in ophthalmology treatments business amounting to HK\$32,796,000).

Financial Review**Liquidity, Financial Resources and Liabilities**

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

Substantial Investment, Acquisitions and Disposals

During the year under review, the Group neither had any substantial investment, nor made any material acquisition or disposal of any subsidiary and associated company.

Capital Expenditure

The Group had incurred an aggregate amount of approximately HK\$5,224,000 (2004: HK\$6,899,000) as capital expenditure during the year 2005.

Pledge of Assets

As at 31st December, 2005, the Group had no pledge of assets and deposits with the bank in order to obtain general banking facility.

Employees' and Remuneration Policy

The Group hired about 700 full time employees, including managerial, executive and technical staff and production labours in China and Hong Kong as at 31st December, 2005 (31st December, 2004: about 700). Remuneration, promotion and the magnitude of remuneration adjustment are determined according to the job duty, working performance, professional experience of the staff and the prevailing practice of the industry. All full time staff and directors in Hong Kong office have already participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board of the Group.

Foreign Exchange and Currency Risk

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

Contingent Liabilities

As at 31st December, 2005, the Company provided a guarantee in favour of a bank in the PRC to secure a loan facility of RMB8,000,000 (equivalent to approximately HK\$7,547,000) granted by the bank to a jointly controlled entity of the Group (31st December, 2004: RMB8,000,000 (equivalent to approximately HK\$7,547,000)). The banking facility was fully utilised at 31st December, 2005. As at 31st December, 2005, the Company has not provided any guarantee to any bank for bank loans granted to its subsidiaries (31st December, 2004: RMB50,000,000, equivalent to approximately HK\$47,170,000). Save as disclosed above, the Group had no material contingent liability at the balance sheet date.

Business Review**Property Business**

Beijing, as well as the whole country, enhanced the adjustment to the property sector since February 2005 whereby the increasing price level of the sector was controlled strictly and a number of measures against the sector had been implemented, including the introduction of an online sales system, the prohibition on mortgage of luxury properties, the increase of business tax on second hand transfers of high-end properties and etc., which exerted significant impacts on the sales of properties. Under these unfavourable conditions, the Company has taken active measures to market its properties by requesting sales agents to streamline sales management and staff, strengthen training on salespersons, improve sales channels and expand customer bases, so as to lay a reasonable foundation for the sales activities in 2006. In 2005, the Group sold two units in Macro Garden held for sale in Hong Kong.

The Group has created more rentable floor area for Dawning Tower in Shenzhen through an internal re-engineering and thus has realised approximately HK\$14,416,000 of rental income and management fee, representing an increase of 17% over the previous year. The Group's Dawning Tower in Shenzhen achieved an occupation rate of nearly 100% in terms of its rentable area.

Manufacturing of High-tech Computers and Servers and Related Business

Dawning

During the period under review, Dawning has made great efforts in sales and marketing activities and the sales of its high performance servers and industry sales have secured an expanding market share. Dawning branded servers have performed well in such areas as crude oil exploration, astronautics, weather forecast and school campus network construction.

The aggregate sales of high-tech computers and servers manufacturing and related business in 2005 amounted to approximately HK\$423,290,000, representing an increase of HK\$146,048,000 or 53% when compared with HK\$277,242,000 of the same period last year, but the overall gross profit margin was still comparable to that of last year.

Dawning recorded a better operating result in 2005. Regarding industry sales, Dawning kept maintaining its competitive position in traditional industries: the company continued to uphold its leading position in the oil sector and Dawning servers have been purchased by a number of corporations in the industry; Dawning servers also contributed to the astronautics sector; as for education, Dawning continued to maintain its number one brand name status in the sector and successfully completed the "Xiao Xiao Tong" projects in Beijing and Tianjin upon winning another tender for the contract of approximately RMB40,000,000 of a national distance learning project in the PRC with recognition from various tertiary colleges. With regard to sales channel expansion, Dawning attained more than 400 contracted agents and established business connections with over 1,000 agents.

The Dawning 4000A, which was installed in Shanghai Supercomputer Center, adopts 2,560 pieces of 64-byte AMD OPTERON CPU with 40 mainframes, and is the first super computer with computing speed exceeding 10,000 Giga Floating Point Operation per Second in the country. It still works well and is highly recommended by the client. Dawning 8-way "天關" A950 servers were duly introduced to the market in the first half of 2005, being the first branded server with 8-way 64-byte produced in the country. A950 series is classified as high-end products targeting at corporate accounts. The adoption of AMD dual-core CPU allows this product to be easily and seamlessly expanded to 16-core SMP system and it supports up to eight pieces of hot-plug SCSI or SATA hard drives. It is one of the most capable 8-way 64-byte servers in terms of the storage capacity in China. Dawning was the company which first introduced 10 models of dual-core servers supporting AMD OPTERON CPU in the world. This product line comprises models applicable to various levels, including basic models as well as those for departments, corporations and super computers. In light of the aggressive promotion of "dual-core upgrade plan", a strong growth in results has been attained.

In September 2005, 中國質量協會 (China Quality Association) and 計算機世界傳媒集團 (China Computerworld Media Group) jointly announced the results of "2005年中國IT用戶滿意度調查 (Survey of Satisfaction of Chinese IT Users in 2005)", pursuant to which, Dawning was awarded both "64位服務器用戶綜合滿意度第一 (國內品牌) (The Top Brand of Comprehensive Satisfaction of 64-byte Servers Users (Domestic Brands))" and "高性能服務器首選品牌 (國內品牌) (The Preferred Brand of High-Performance Servers (Domestic Brands))", being the only winner among domestic server manufacturers in the survey.

Jingke Information

Wuhan Jingke Information Industry Co., Ltd. ("Jingke Information") is mainly engaged in the manufacturing of quartz oscillators (semi-finished products) used in the production of various electronic products, resonators (final products), SMD and related devices. Jingke Information posted a record high output and sales volume in 2005 with promising prospects as a whole. The number of quartz resonators sold in 2005 (with various models) was up to 19,020,000 units, representing an increase of about 100% when compared with the sales volume in 2004. Total sales in 2005 reached RMB18,262,000, representing an increase of 95% over 2004. However, the growth in net profit was limited due to the depreciation of plants and equipment. The increase in sales was mainly due to a successful attraction of more new customers by the company and the quality of products that assures customers. Meanwhile, the company committed to take orders selectively in 2005 so that only customers with sound creditworthiness would be accepted in order to ensure the recoverability of trade receivables. The company has been dedicated in improving cost auditing, strengthening internal management and integrating resources. Gross profit of the company has been increased from RMB1,320,000 in last year to RMB3,690,000 in the current year, representing a 2.8 times increase. The company has made great progress in soliciting major accounts this year and has successfully obtained the supplier certification of several major accounts in Korea and Taiwan.

Financial Services

Financial services, a non-core division, were not active and there was no new lending activity during the year under review.

Prospect

Property

It is expected that macro-control measures implemented by the PRC government to cool down the overheated property markets will merely promote the healthy development of the property sector. In spite of various difficulties, we remain confident and are firmly determined to improve our products and expand our sales step by step by capitalising on the existing strengths of the Shun Jing Yuan project. While reinforcing our sales promotion, we will also take initiatives to identify potential customers. In view of these measures, it is anticipated that the sales of Shun Jing Yuan will be better in the coming year, thus improving the performance of the property business of the Group.

The Group will continue to enhance the quality of building management and maintain good cooperation with customers in order to maintain the premium commercial building grading of Dawning Tower and to ensure a high level rental income from the building. With an occupation rate of 100 percent in terms of its rentable area, Dawning Tower has secured a steady future rental income. The Company, however, will continue to strictly control costs and expenses in anticipation of further improving earnings and revenue from Dawning Tower.

The Group will continue to identify new property projects with steady and attractive return in the PRC in order to contribute profits to the Company.

Manufacturing of High-tech Computers and Servers and Related Business

Dawning

The 64-byte digital transmission business will dominate the market for 2006. In order to maintain the leading position of Dawning products, Dawning has developed two types of new products based on the technology of 64-byte, namely medium-to-high-end servers of 4-way and 8-way and dual-core products.

Dawning focuses on researching and developing new products to upgrade the performance and capability of products and to strengthen their competitiveness and profitability. Dawning "天演" EP850 compact high performance servers, which are going to be introduced to the market, are professional high-end products, primarily featured with high capability, high performance price-ratio and general compatibility with prevalent applications. It may configure 8 pieces of AMD OPTERON 800 series processors and supports dual-core processors with RAM up to 128GB. It is suitable for sizable corporations, government authorities, and the telecommunications and banking sectors.

With regard to operation, Dawning will improve the efficiency of its business activities through enhancing the business and logistics sectors in order to lower its costs. Meanwhile, Dawning will integrate its resources and eliminate the intermediate hierarchy so as to apply the resources directly into platforms, to lower the selling cost of distribution channels and to maintain a reasonable profit for distribution channels. Greater supports will be given to the core distribution channels, encouraging coverage of the blank areas so as to realise interactive coordination between distribution channels and industry sales.

Regarding industry sales, Dawning will be able to maintain its competitive position in the traditional industry, and will continue to retain its customers in the market and expand the industrial market. While it is a recognised brand in the education sector, Dawning will continue participating in tenders for the contracts of distance learning related projects. The Group estimates that Dawning high performance servers will continue to be well-received in the areas of crude oil exploration, astronautics and meteorology, and will further be used in such service platforms as bio-information, power networks and communications.

Jingke Information

Due to the nearly saturated production capacity, resulting from the low capacity design of the production line for finished products, the company will turn its marketing focus to semi-finished quartz resonators, sales of which will record a better growth and thus will become a primary profit growth point of the company for 2006. In 2006, the company is likely to secure orders from major purchasers, hence the sales and efficiencies can be improved properly. However, the company's insufficiency in working capital will restrict its business growth in future.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct regarding director's securities transactions. The Company confirms that, having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code for the twelve months period ended 31st December, 2005.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance

Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Code") throughout the year, with deviations from code provisions A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Under the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Code provision A.4.1

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, one-third of the directors of the Company (both executive and non-executive) are subject to the retirement by rotation at each annual general meeting under Bye-law 87 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

Code provision A.4.2

According to Bye-law 87 of the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that the chairman of the board of directors and/or the managing director of the Company shall not be subject to retirement by rotation. The directors to retire by rotation shall include any director who wishes to retire and not to offer himself for re-election, or those who have been the longest in office since their last re-election or appointment or those who were appointed by the board of directors to fill any casual vacancies. However, as between those who became or were last re-elected directors on the same day, those to retire shall be determined by lot (unless they otherwise agree among themselves). As the Chairman of the board of directors is not subject to retirement by rotation under the Bye-laws of the Company, this constitutes a deviation from code provision A.4.2 of the Code.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company still considers all of the independence non-executive directors are independent.

In compliance with the code provisions of the Code, the Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The scopes of terms of references of these committees are included in the Corporate Governance Report in the Annual Report.

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors, currently includes Mr. Liu Sing Pui, Chris, Mr. Lee Kuo Ching, Stewart and Miss Chong Kally. The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting, including the review of the financial statements for the year ended 31st December, 2005 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Proposed amendments to the Bye-Laws

The Board proposed to the shareholders of the Company to approve a special resolution at the forthcoming annual general meeting to amend the bye-laws of the Company in order to, inter alia, ensure compliance with relevant provisions of the Appendix 14 of the Listing Rules. Details of the proposed amendments to the bye-laws of the Company will be set out in the circular and the notice of the annual general meeting to be dispatched to the shareholders of the Company together with the annual report for the year 2005.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2005 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

Annual Report and Disclosure of Information on the Stock Exchange's Website

The Company's 2005 annual report, containing all the information required under paragraph 45 of Appendix 16 of the Listing Rules, will be published on the Stock Exchange's website at www.hkex.com.hk.

The Company's 2005 Annual Report will be circulated to shareholders by 26th April, 2006.

By order of the Board
Wong Chung Tak
Chairman

Hong Kong, Dated 7th April, 2006

As at the date of this announcement, the Board of the Company comprises three executive directors, namely Mr. Wong Chung Tak, Mr. Deng Wenyun and Mr. Tse Kam Fai, two non-executive directors, namely Mr. Chen Chao and Mr. Wong Ngo, Derick, and three independent non-executive directors, namely Mr. Lee Kuo Ching, Stewart, Mr. Liu Sing Piu, Chris and Miss Chong Kally.