



# 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 31 DECEMBER 2004

#### GROUP FINANCIAL HIGHLIGHTS

- Turnover in 2004 increased by 17.7% to HK\$390,552,000 compared with HK\$331,881,000 in 2003.
- Gross profit in 2004 decreased by 4.1% to HK\$74,872,000 compared with HK\$78,090,000 in 2003.
- Loss for the year 2004 was HK\$17,275,000; HK\$176,854,000 for the year 2003.
- Loss per share for the year 2004 was HK0.124 cent; HK2.337 cents for the year 2003.
- 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 31 December 2004, together with the comparative figures of 2003, as follows:

#### CONSOLIDATED INCOME STATEMENT

	Notes	2004 HK\$'000	2003 HK\$'000
<b>Turnover</b>	2	<b>390,552</b>	331,881
Cost of sales and services		(315,680)	(253,791)
<b>Gross profit</b>		<b>74,872</b>	78,090
Other operating income		6,438	9,926
Selling and distribution costs		(33,837)	(38,493)
Administrative expenses		(72,435)	(78,654)
Other operating expenses		(23,810)	(48,655)
Impairment loss recognised in respect of goodwill		-	(92,628)
<b>Loss from operations</b>	3	<b>(48,772)</b>	(170,414)
Finance costs	4	(2,466)	(316)
Share of results of associates		3,395	889
Share of results of jointly controlled entities		(1,534)	(2,677)
Net gain on disposal of subsidiaries		32,796	-
<b>Loss before taxation</b>		<b>(16,581)</b>	(172,518)
Taxation	5	(2,771)	(5,221)
<b>Loss before minority interests</b>		<b>(19,352)</b>	(177,739)
Minority interests		2,077	885
<b>Net loss for the year</b>		<b>(17,275)</b>	(176,854)
<b>Loss per share</b>	6		
- Basic		(HK0.124 cent)	(HK2.337 cents)
- Diluted		N/A	N/A

#### CONSOLIDATED BALANCE SHEET

	Notes	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Investment properties		115,000	115,000
Property, plant and equipment		36,283	58,765
Property under development		4,200	4,200
Goodwill		-	23,810
Interests in associates		134,946	75,641
Interests in jointly controlled entities		23,180	24,584
Investments in securities		-	317
Deferred tax assets		6,742	6,441
		<b>320,351</b>	308,758
<b>Current assets</b>			
Properties held for sale		300,632	58,897
Inventories		154,168	54,592
Loan to a jointly controlled entity		14,739	-
Trade receivables	7	55,832	47,330
Other receivables, deposits and prepayments		50,631	32,705
Investments in securities		980	893
Bank balances, deposits and cash		123,137	416,465
		<b>700,119</b>	610,882
<b>Current liabilities</b>			
Trade payables	8	101,728	56,051
Other payables and accrued charges		84,554	144,966
Bank loan - unsecured		47,170	-
Taxation payable		4,315	21,989
		<b>237,767</b>	223,006
Net current assets		<b>462,352</b>	387,876
Total assets less current liabilities		<b>782,703</b>	696,634
Minority interests		124	10,459
		<b>782,579</b>	686,175
<b>Capital and reserves</b>			
Share capital		143,533	119,613
Reserves		639,046	566,562
		<b>782,579</b>	686,175

#### Notes:

##### 1. Basis of financial statement and accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

##### 2. Segment Information

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

###### (a) Business segments:

	High-tech computers and servers manufacturing and related business		Property investment, development and trading		Ophthalmology treatments		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>												
External sales	277,242	259,095	84,894	52,989	7,513	1,710	20,903	18,087	-	-	390,552	331,881
Inter-segment sales	-	-	636	199	-	-	1,660	6,399	(2,296)	(6,598)	-	-
<b>Total</b>	<b>277,242</b>	<b>259,095</b>	<b>85,530</b>	<b>53,188</b>	<b>7,513</b>	<b>1,710</b>	<b>22,563</b>	<b>24,486</b>	<b>(2,296)</b>	<b>(6,598)</b>	<b>390,552</b>	<b>331,881</b>
<b>SEGMENT RESULTS</b>	<b>(9,770)</b>	<b>(102,530)</b>	<b>11,686</b>	<b>(3,324)</b>	<b>40,574</b>	<b>(16,528)</b>	<b>(21,080)</b>	<b>(10,428)</b>	<b>(2,296)</b>	<b>(6,598)</b>	<b>19,114</b>	<b>(139,408)</b>
Unallocated other operating income											1,125	1,157
Unallocated corporate expenses											(69,011)	(32,163)
Loss from operations											(48,772)	(170,414)
Finance costs											(2,466)	(316)
Share of results of associates	(46)	(55)	(3,893)	108	-	(1,216)	7,334	2,052	-	-	3,395	889
Share of results of jointly controlled entities	(1,534)	(2,677)	-	-	-	-	-	-	-	-	(1,534)	(2,677)
Net gain on disposal of subsidiaries	-	-	50,739	-	(17,943)	-	-	-	-	-	32,796	-
Loss before taxation											(16,581)	(172,518)
Taxation											(2,771)	(5,221)
Loss before minority interests											(19,352)	(177,739)
Minority interests											2,077	885
Net loss for the year											(17,275)	(176,854)

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

###### (b) Geographical segments:

	Hong Kong		The People's Republic of China ("PRC") other than Hong Kong		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>						
External sales	22,663	18,087	367,889	313,794	390,552	331,881
<b>3. Loss from operations</b>						
The Group's loss from operations has been arrived at after charging (crediting):						
					2004 HK\$'000	2003 HK\$'000
Allowance for bad and doubtful debts					1,258	-
Allowance for inventories (included in cost of sales and services)					2,902	432
Consultancy fees for business development (included in administrative expenses)					2,410	15,600
Depreciation					7,497	4,045
Impairment loss of property, plant and equipment (included in administrative expenses)					3,303	-
Net exchange losses					3	473
Amortisation of goodwill (included in other operating expenses)					23,810	48,358
Loss on disposal of property, plant and equipment (included in administrative expenses)					248	185
Minimum lease rentals in respect of rented premises					7,793	6,743
Net unrealised holding losses on short term listed shares					453	774
Bank interest income					(1,125)	(1,157)
Loan interest income					(588)	-
Rental income under operating leases, less outgoings of HK\$3,065,000 (2003: HK\$3,042,000)					(9,641)	(9,190)
Bad debts recovered					(1,000)	(1,456)
Write back of allowance for bad and doubtful debts					(690)	(1,753)
Investment income from unlisted investments					-	(605)
Gain on partial disposal of interest in a subsidiary (included in other operating income)					-	(2,760)
Release of negative goodwill arising on acquisition of interests in associates (included in other operating income)					-	(762)
Net realised gain on trading of short term listed shares					(626)	(1,095)
<b>4. Finance costs</b>						
Interest on bank loans wholly repayable within five years					2,466	316

5. Taxation	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
The Company and its subsidiaries		
Hong Kong Profits Tax		
Overprovision in the prior years	-	(213)
PRC Enterprise Income Tax		
Current year	1,233	4,761
Underprovision in the prior years	-	7,114
	<u>1,233</u>	<u>11,662</u>
Deferred taxation	(267)	(6,441)
Taxation charge for the year attributable to the Company and its subsidiaries	<u>966</u>	<u>5,221</u>
Share of taxation attributable to associates	<u>1,805</u>	-
	<u>2,771</u>	<u>5,221</u>

No provision for Hong Kong Profits Tax has been made in the 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.

No share of taxation attributable to jointly controlled entities by the Group as the jointly controlled entities did not have any taxable profit for both years.

**6. Loss per share**  
The calculation of loss per share is based on the net loss for the year of HK\$17,275,000 (2003: HK\$176,854,000) and the weighted average of 13,948,108,569 (2003: 7,568,215,430) 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 and/or convertible notes as their exercise would result in an decrease in the loss per share in both years.

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

	2004	2003
	HK\$'000	HK\$'000
Within 30 days	21,111	22,468
31 to 90 days	11,750	6,309
91 to 180 days	2,363	8,446
181 to 365 days	17,072	5,564
Over 365 days	3,536	4,543
	<u>55,832</u>	<u>47,330</u>

**8. Trade payables**  
An aged analysis of trade payables at the balance sheet date, based on invoice dates, is as follows:

	2004	2003
	HK\$'000	HK\$'000
Within 30 days	82,850	32,234
31 to 90 days	8,228	15,627
91 to 180 days	8,164	7,161
181 to 365 days	313	347
Over 365 days	2,173	682
	<u>101,728</u>	<u>56,051</u>

**DIVIDEND**  
The Board does not recommend the payment of any dividend for the year ended 31 December 2004 (2003: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

**Result**  
Total turnover of the Group for the financial year 2004 amounted to HK\$390,552,000 (2003: HK\$331,881,000), representing an increase of 17.7% as compared to the previous financial year. During the year under review, the Group's loss from operations and net loss for the year was HK\$48,772,000 and HK\$17,275,000 respectively including amortisation of goodwill of HK\$23,810,000 and a loss of approximately HK\$17,943,000 on disposal of subsidiaries engaging in the ophthalmology treatments business. (2003: amortisation goodwill and impairment losses amounting to an aggregated amount of HK\$141,283,000).

Business	Year ended 31 December				Year-on-year percentage change	
	2004		2003			
	HK\$'000	%	HK\$'000	%	%	%
High-tech computers and servers manufacturing and related business	277,242	71.0	259,095	78.1	7.0	
Property investment, development and trading	84,894	21.7	52,989	16.0	60.2	
Ophthalmology treatments	7,513	1.9	1,710	0.5	339.3	
Others	20,903	5.4	18,087	5.4	15.6	
Total Turnover	<u>390,552</u>	<u>100.0</u>	<u>331,881</u>	<u>100.0</u>	<u>17.7</u>	

The Group's high-tech computers and servers manufacturing and related business accounted for 71.0% of total turnover, representing a year-on-year increase of 7.0%. Property investment, development and trading business accounted for 21.7% of total turnover, representing a year-on-year increase of 60.2%. Ophthalmology treatments and other businesses reported a year-on-year increase of 339.3% and 15.6% respectively, both businesses representing only 7.3% of total turnover in 2004.

The consolidated gross profit ratio for the year 2004 was approximately 19.2% (2003: approximately 23.5%), representing a decrease of about 4.3%, which is mainly due to the intensive dropping of servers selling prices of the server manufacturing business, while the materials and costs for manufacturing servers did not decrease correspondingly resulting in a gross profit of the high-tech computers and servers manufacturing and related business lower than that of last year.

Selling and distribution cost for the year 2004 decreased by HK\$4,656,000 to HK\$33,837,000 when compared with last year, selling and distribution cost decreased from 11.6% to 8.7% of turnover.

Administrative expenses for the year 2004 decreased by HK\$6,219,000 to HK\$72,435,000 when compared with last year, administrative expenses decreased from 23.7% to 18.5% of turnover.

Finance costs for the year 2004 was HK\$2,466,000 while the year 2003 was HK\$316,000, representing an increase of HK\$2,150,000, the cost was mainly interest for unsecured short term bank loans.

## FINANCIAL REVIEW

### Capital Structure

#### Placing of new shares

On 3 March 2004, the Company through a placing agent issued a total of 2,392,000,000 new ordinary shares of HK\$0.01 each, at an offer price of HK\$0.056 per share to not less than six independent places. The net proceeds from the new issued shares were approximately HK\$129,000,000 after deducting the related expenses. The net proceeds have been applied as part of the consideration for acquisition of Shun Jing Yuan located in Beijing ("Shun Jing Yuan"). Further details of this placement of shares were set out in the announcement to shareholders of the Company dated 23 February 2004.

#### Substantial acquisition and disposal of subsidiaries

On 13 February 2004, the Group purchased from an independent third party 3 residential buildings of Shun Jing Yuan located in Beijing at a cash consideration of approximately RMB300 million (equivalent to approximately HK\$280 million); the property has been accounted for as properties held for sale. The Group has set up a property agency company in Beijing and is prepared to launch the sale of the property.

On 12 March 2004, the Group disposed of its entire interests in Genace Development Limited ("Genace Development") and its wholly-owned subsidiary, La Residence Development (Shanghai) Co., Ltd. ("La Residence") to an independent third party. Due the accumulated losses of Genace Development and La Residence and the release of reserves at the moment of disposal, a gain of HK\$50,739,000 was contributed to the Group on disposal of Genace Development and La Residence.

On 16 March 2004, the Group formed a new company, Joy Value Limited ("Joy Value"), with an independent third party. The Group owns 45% interests in the share capital in Joy Value, which is mainly engaged in the trading of and investment in PRC properties; for investment and business purposes, approximately HK\$57,600,000 has been injected in Joy Value as at 31 December 2004.

On 28 December 2004, the Company as vendor disposed of a wholly owned subsidiary of the Company, China Vision Group Corporation ("China Vision") and its subsidiaries to an independent third party as buyer at a consideration of RMB17,000,000. China Vision was an intermediate holding company for the ophthalmology treatments business of the Group.

### Liquidity, Financial Resources and Liabilities

The Group's working capital is sufficient and is maintained at a healthy position. The Group's cash and bank deposits amounted to in aggregate approximately HK\$123,137,000 as at 31 December 2004 (31 December 2003: approximately HK\$416,465,000). The Group endeavoured to ensure the liquidity of the working capital by expediting the collection of accounts receivable and observing strict credit control. As at 31 December 2004, total accounts receivable outstanding was approximately HK\$55,832,000, being 18.0% higher than last year (31 December 2003: HK\$47,330,000). At year end of 2004, the current ratio was 2.94 while 2.74 for year end of 2003. As at 31 December 2004, the Group raised unsecured bank loans in Renminbi amounting to approximately HK\$47,170,000 (31 December 2003: nil) with fixed interest rate of 5.5755%. The management has reviewed the liquidity of the Group and concluded that the Group has ample internal resources for the repayment; the bank loan has been repaid upon due for repayment in January 2005. As at 31 December 2004, the Group's gearing ratio (on the basis of total borrowings divided by shareholders' equity) was maintained at a level of 0.06 (31 December 2003: 0).

### Capital Expenditure

The Group had incurred an aggregated amount of approximately HK\$6,899,000 (2003: HK\$90,116,000) as capital expenditure during 2004.

### Pledge of Assets

As at 31 December 2004, the Group had no pledge of assets and deposits with the bank in order to obtain general banking facilities.

### Employees' Remuneration and Benefits

The Group had about 700 full time employees, including managerial, executive and technical staffs and production labour in Hong Kong and the PRC as at 31 December 2004 (31 December 2003: about 800). The level of remuneration, the promotion and the magnitude of remuneration adjustment are justified according to their job duty, working performance, professional experience and industrial practice at the time being. All staff and executive directors in Hong Kong office have already participated in mandatory provident fund. Other employees' benefits include the granting of share options by the Board of the Group.

### Foreign Exchange and Currency Risk

The funds derived from incomes and applied to purchases of raw materials, spare parts and equipment and the payments of salaries were dominated in Hong Kong dollars and Renminbi; therefore, it was no need to use any financial tools for hedging purpose, and the fluctuation of the exchange risk was moderate. During the year, the Group has not used any financial tools for hedging purpose. As at 31 December 2004, cash in hand and bank balances of the Group were mainly denominated in Hong Kong dollars, US dollars and Renminbi.

### Contingent Liabilities

As at 31 December 2004, the Company provided 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 (31 December 2003: RMB5,000,000 (equivalent to approximately HK\$4,692,000)), the banking facility was fully utilised as at 31 December 2004. As at 31 December 2004, the bank loan granted to a subsidiary subject to guarantee given to the bank by the Company was utilized to the extent of RMB50,000,000, equivalent to approximately HK\$47,170,000 (31 December 2003: Nil). Save as disclosed above, the Group had no material contingent liability at the balance sheet date.

## BUSINESS REVIEW

### Property

The management of the Company are confident in the property business in the PRC, and believe that luxurious residential properties are still in great demand in line with the growing GDP and higher living standard. In 2004, the Group purchased 3 residential buildings of Shun Jing Yuan at approximately RMB300 million as properties held for sale of the Group. Shun Jing Yuan is a quality luxurious residential property situated in Beijing.

During the year, the Group sold two units in Macro Garden in Sheung Wan, which generated revenue of HK\$1,760,000 for the Group. All 65 units and 54 parking spaces at La Residence in Shanghai were sold, which generated revenue of HK\$65,307,000.

Regarding the property lease, Dawning Tower in Shenzhen recorded an occupation rate of 100%, which generated HK\$12,264,000 of rental income and management fee for the entire year.

### High-tech computers and servers manufacturing and related business

#### Dawning

During the year under review, Dawning has, through the reorganization of its corporate structure, formulated sales strategies based on the demand of each market region in order to address the problems caused from weak distribution channels. The growth of turnover driven by its re-organized distribution channels was satisfactory.

Regarding the sales and marketing, sales of high performance servers was satisfactory and the forecasted sales target for the whole year has already been achieved. However, the overall gross profit ratio decreased from 26.2% of previous year to 21.1% of this year due to intense market competition and lower sales price. The growth of industry sales remained steady. With the provision of its quality high performance servers, Dawning continued to participate in network construction projects related to high schools in Western China and "Xiao Xiao Tong" project in Beijing, Dawning has captured market shares in such areas as crude oil exploration and astronautics for its high performance servers. Dawning's 64-byte meteorological machine won the tender for the contract from Beijing Meteorological Bureau among various competitors. In addition, Dawning has successfully entered into numerous contracts in respect of distance learning projects for villages in various provinces with an aggregate amount over RMB100 million.

Regarding product research and development, Dawning developed Dawning 4000A adopting 2,560 pieces of 64-byte AMD OPTERON CPU with 40 mainframes, being the first super computer with computing speed exceeding 10,000 Giga Floating Point Operation per Second in the PRC. It was launched and installed in Shanghai Supercomputer Center. The Dawning 4000A manufactured by Dawning is ranked No.10 in the latest published list of TOP 500 Supercomputers, the first time for China to eliminate the monopolies from U.S.A. and Japan of being the TOP 10 Supercomputers in the list for years. Dawning super servers have successfully been used in more than 30 areas such as weather forecast, crude oil exploration, data processing on earthquakes, research and utilization of nuclear power, computation of fluid dynamics, analysis of gene and protein, material science, astronautics technology and national defense, showing its powerful functions of scientific computation, administration and information services. Dawning super servers are totally comparable to quality of high performance computers produced in the United States and Japan in terms of size, power and functions while its costs are much lower than those produced in such countries. Hence, it enjoys strong competitiveness in the market. The launch of Dawning 4000A was listed as one of the "2004 Top 10 Science and Technology News" in Science and Technology Daily, and listed as one of the "2004 Top Ten Science and Technology Improvement in China", which were assessed and selected by academicians from Chinese Academy of Sciences and Chinese Academy of Engineering.

Dawning i200-I low-end "天關" servers, the servers for the beginners with the price below RMB10,000, and upgraded version of R4380A servers have showed excellent performance in various networking application environment. The performance of such system has been enhanced by its extensibility, availability, manageability, user-friendliness. Dawning i200-I and R4380A servers have been used for online games, a market which requires servers with higher performance.

Dawning has developed Dawning GodEye-HIDS mainframe hacking inspection product on its own to meet the growing demand from the network safety market. This product adopts a distributed hacking inspection framework of an internationally advanced standard, which performs particularly well in the areas of management, inspection, anti-hacking, self-protect etc, and it will be adopted by Agricultural Bureau, Henan Province for its information security project.

**Jingke Information**

Wuhan Jingke Information Industry Co., Ltd. (“Jingke Information”) is mainly engaged in manufacturing quartz oscillators (semi-finished products) used in the production of various electronic products, resonators (final products), SMD and related devices. In February 2005, Jingke Information moved into the new premises in the “Jingke Industrial Park” located in the Investments Zone of Taiwan Merchants in Wujiashan, Dongxihu District, Wuhan. The installation of the existing and newly purchased equipments was completed, providing Jingke Information with a quality production base. Under the leadership and management of the newly reorganized board of directors and the newly appointed management, the company has comprehensively structuralized its management, enhanced and improved its management in and technologies for production; and broadened its customer base and attracted more new customers as compared with last year. In 2004, the sale of quartz resonators was approximately RMB9,352,000, a 71.4% increase compared with RMB5,456,000 in the corresponding period of the previous year. However, no profit has been recorded for quartz resonators due to the fact that it was just the first year that new plant, the machinery and the equipment had become operational.

Jingke Information developed various frequency channels for quartz resonators during the year, which enhanced the profitability of the company.

**Ophthalmology Treatments Business**

China Vision Medical Development (Shenzhen) Co., Ltd. (“China Vision Medical”), a subsidiary of the Group, has interests in the ophthalmology treatments and optical centres in a number of regions in the PRC. In 2004, it generated an income for provision of services of approximately HK\$7,513,000 and loss from operations of approximately HK\$1,013,000 for the Group. Restricted by the scale of ophthalmology treatments network of the Group, this line of business does not make prominent contribution to the Group in terms of income or profits. On 28 December 2004, the Company disposed of its entire interest of China Vision, a wholly-owned subsidiary of the Company, and its subsidiaries to an independent third party at a consideration of RMB17,000,000. China Vision is an intermediate holding company carrying on the entire ophthalmology treatments business of the Group. The loss on disposal of ophthalmology treatments business amounted to approximately HK\$17,943,000.

**Financial Services**

Financial services, the non-core division, were not active and the new money lending business involves loans to a jointly controlled entity. The group also participated in securities investment as its medium to long term investment on a prudent basis.

**PROSPECT****Property**

The Group will focus on property business in the PRC in the coming year. In addition to its effort to market units in Shun Jing Yuan, the Group will also identify potential property development projects. The continuous rapid development of the PRC economy contributes to a speedy growth in income level among citizens in the PRC, and a strong desire for improving living conditions. Therefore, the rapid development of the property market in the PRC will be maintained for coming years, with ample business opportunities for the development of residential and commercial properties. The Group will identify quality projects for investment, on a prudential basis involving project analysis and risk control, to establish a new stream of income for the Company.

The Group will continue the rental business of Dawning Tower, and expects a satisfactory occupation rate will be achieved, generating a stable rental income for the Group.

**Manufacturing of High-tech Computers and Servers and Related Business****Dawning**

After its high-end product being ranked first in the PRC, Dawning will continue to make efforts to keep its leading position in the world and makes its research and manufacturing of high-end marco computers one of the top brands both in the PRC and the world. Meanwhile, Dawning will also place emphasis on low-end market in the future and strike for the best result. Facing numerous low-end market competitors from the mainland and abroad, Dawning will encounter intensive competitions in the low-end market, as the price of low-end computers is expected to be adjusted downward in 2005. To establish an advantageous position, Dawning will continue, through vertical and horizontal expansion, to enhance the management and control of the distribution channels, implement strict control in product quality, efficiently reduce the cost of materials and expenses, strengthen the training for management personnel and technicians, and raise its position in the low-end market with the reputation of the “Dawning” brand established by “Dawning” 4000A and a series of marketing activities. Dawning i200-I series of “天關” servers will be a very competitive low-end product.

Regarding industry sales, Dawning’s high performance servers will continue to be a product with competitive edge, and Dawning will continue to retain its customers in the market and expand the industry market. Subsequent to the participation of the “Xiao Xiao Tong” project in Beijing and the network construction projects related to high schools in Western China, Dawning will tender for the contract of modern distance learning related projects for primary and secondary schools in villages throughout the PRC. The Group estimates that Dawning’s 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 network and communications.

**Jingke Information**

Jingke Information is committed to improve its internal management to reduce production cost, attract new customers and adopt a market-oriented objective. It is believed that Jingke Information will generate profits for the Group upon the launching of quartz oscillators of various new frequency channels. Jingke Information will continue its market and product development, and expanding the scope of usage of quartz resonators with various frequency channels, to increase the profitability of the company.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

**CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) except the independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

Throughout the year ended 31 December 2004, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions based on the specify enquiry of all the directors of the Company.

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 independent non-executive directors are independent.

**AUDIT COMMITTEE**

The Audit Committee of the Company comprises three independent non-executive directors, currently includes Mr. Lee Kuo Ching, Stewart, Mr. Liu Sing Pui, Chris and Miss Chong Kally. The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statement for the year ended 31 December 2004 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

**PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S WEBSITE**

The Company will submit all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the traditional arrangements, in due course for publication on the website of the Stock Exchange.

By order of the Board  
**Wong Chung Tak**  
Chairman

Hong Kong, 18 March 2005

As at the date of this announcement, the Board of the Company comprises four executive directors, namely Mr. Wong Chung Tak, Mr. Gong Hanbing, 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.