

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 Venture International Investment 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.

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VENTURE INTERNATIONAL INVESTMENT HOLDINGS LIMITED

(宏昌國際投資控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 61)

**MAJOR TRANSACTION:
EXTENSION OF THE TIME
FOR FULFILMENT OF PROFIT GUARANTEES
AND
RE-ELECTION OF DIRECTORS**

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 Thursday, 22 February 2007 at 11:00 a.m. is set out on pages 100 to 101 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 office of the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, 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.

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DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser of the Sale Shares, subject to and upon the terms and conditions of the Sale and Purchase Agreement
“associates”	has the same meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Company”	Venture International Investment 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
“Consideration Shares”	the 117,647,059 Shares allotted and issued to the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement
“Directors”	directors of the Company from time to time
“Extension”	the extension of the time for fulfillment of the Profit Guarantees subject to and upon the terms of the Supplemental Agreement
“Grand Panorama”	Grand Panorama Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company on completion of the Acquisition
“Group”	the Company and its subsidiary
“Guarantor”	Mr Samuel Lin Jr., the guarantor to the performance of the Vendors under the Sale and Purchase Agreement and the Supplemental Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	26 January 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tai”	Mr. Benedict Tai, an independent non-executive Director
“Mr. Tang”	Mr. Tang Kin Hung, an executive Director
“PRC”	the People’s Republic of China which for the purpose of this circular, unless the context requires otherwise, excludes Hong Kong and the Macau Special Administrative Region
“Profit Guarantees”	the profit guarantees provided by the Vendors under the Sale and Purchase Agreement with or without the Extension provided under the Supplemental Agreement
“Purchaser”	Technology Venture Investments Limited, the purchaser to the Sale and Purchase Agreement and a wholly owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 February 2006 (including any amendments thereto) and entered into among the Purchaser, the Vendors and the Guarantor for the sale and purchase of the Sale Shares
“Sale Shares”	10,411 shares of US\$1.00 each in the issued share capital of Grand Panorama, representing the entire issued share capital of Grand Panorama
“SGM”	the special general meeting of the Company to be held and convened for the Shareholders consider and, if thought fit, approve the Supplemental Agreement and the transactions contemplated thereunder, including but not limited to the Extension, and the re-election of Directors
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Agreement”	the supplemental agreement to the Sale and Purchase Agreement dated 17 November 2006 and entered into among the Purchaser, the Vendors and the Guarantor for the Extension
“Vendors”	the vendors to the Sale and Purchase Agreement, comprising August Chance Investments Limited, Recognition International Limited, John S & Sherry H Chan 1994 Family Trust, Double Assets Investments Limited, Profitone Agents Limited, Universal Chinese Limited, Ever Perform Technology Limited and Fabulous On Services Limited
“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
“US\$”	United States dollars, the lawful currency for the time being of the United States of America
“%”	per cent.

For the purpose of this circular, unless otherwise specified, conversion of Renminbi into Hong Kong dollars and conversion of United States dollars to Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK1.00 and US\$1.00 to HK\$7.80. This exchange rate is for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

LETTER FROM THE BOARD



VENTURE INTERNATIONAL INVESTMENT HOLDINGS LIMITED

(宏昌國際投資控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 61)

Executive Directors:

Mr. Chan Tze Ngon (*Chairman*)

Mr. Tang Kin Hung (*Deputy chairman*)

Independent non-executive Directors:

Mr. Benedict Tai

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 January 2007

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION:
EXTENSION OF THE TIME
FOR FULFILMENT OF PROFIT GUARANTEES
AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

Reference is made to the announcement of the Company dated 29 November 2006 in relation to, among other matters, the proposed Extension of the time for fulfilment of the Profit Guarantees and the Supplemental Agreement.

The Extension constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and will be subject to the approval of Shareholders at the SGM.

The purpose of this circular is to provide you with further information regarding the Extension and the Supplemental Agreement, and to give you notice of the SGM to be held and convened for the purpose of considering and, if thought fit, approving the Supplemental Agreement and the transactions contemplated thereunder.

* for identification purpose only

LETTER FROM THE BOARD

BACKGROUND

Reference is made to the announcement of the Company dated 17 February 2006 and the circular of the Company dated 30 May 2006 in relation to, among other matters, the Acquisition.

Grand Panorama is incorporated in the British Virgin Islands with limited liability which together with its subsidiary engage principally in investment holdings and the provision of property consulting agency services in the PRC. Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to buy and the Vendors agreed to sell the Sale Shares, representing the entire issued share capital of Grand Panorama. The Acquisition was duly announced by the Board in the announcement of the Company dated 17 February 2006 and the circular of the Company dated 30 May 2006 in relation to the Acquisition was despatched to the Shareholders in compliance with the Listing Rules.

The Acquisition constitutes a major transaction on the part of the Company. In compliance with the Listing Rules, the Acquisition was duly approved by Shareholders at the special general meeting of the Company held on 16 June 2006 and the Sale and Purchase Agreement was completed on 1 August 2006. Grand Paranoia has become a wholly-owned subsidiary of the Group.

117,647,059 Consideration Shares, representing approximately 17.43% of the issued share capital of the Company, were allotted and issued to the Vendors as part of the aggregate consideration for the Acquisition. The allotment and issue of the Consideration Shares was approved by the Shareholders at the special general meeting of the Company on 16 June 2006. The respective shareholdings of the Vendors in the Company are set out in the following table:

Name of Vendors	General description of the Vendors and in cases where the Vendor is a company, the principal business activities carried on by such Vendors	Number of Consideration Shares allotted and issued	Percentage interest of the Consideration Shares to the issued share capital of the Company (%) (approximately)
August Chance Investments Limited	Investment holdings	21,583,506	3.20
Recognition International Limited	Investment holdings	10,452,745	1.55
John S & Sherry H Chen 1994 Family Trust	Trust Fund	5,017,318	0.74
Toh Teng Peow David	Merchant	5,435,427	0.81
Tam Yuk Ching Jenny	Merchant	4,079,396	0.60
Double Assets Investments Limited	Investment holdings	2,723,364	0.40
Profitone Agents Limited	Investment holdings	19,617,260	2.91
Universal Chinese Limited	Investment holdings	26,024,511	3.86
Ever Perform Technology Limited	Investment holdings	11,356,766	1.68
Fabulous On Services Limited	Investment holdings	11,356,766	1.68
Total:		<u>117,647,059</u>	<u>17.43</u>

LETTER FROM THE BOARD

Since the Vendors are interested in the Extension, they and their respective associates have to abstain from voting in relation to the Extension at the SGM.

As at the Latest Practicable Date, the existing shareholding structure of the Company is as follows:

Name of Shareholders	Number of Shares	Percentage interest to the issued share capital of the Company (%) (approximately)
Chan Tze Ngon	125,542,000	18.60
The Vendors (public Shareholders)		
August Chance Investments Limited	21,583,506	3.20
Recognition International Limited	10,452,745	1.55
John S & Sherry H Chen 1994 Family Trust	5,017,318	0.74
Toh Teng Peow David	5,435,427	0.81
Tam Yuk Ching Jenny	4,079,396	0.60
Double Assets Investments Limited	2,723,364	0.40
Profitone Agents Limited	19,617,260	2.91
Universal Chinese Limited	26,024,511	3.86
Ever Perform Technology Limited	11,356,766	1.68
Fabulous On Services Limited	11,356,766	1.68
Other public Shareholders	431,809,493	63.97
 Total:	 674,998,552	 100.00

Please also refer to the circular of the Company dated 30 May 2006 for further details of the Acquisition and the Sale and Purchase Agreement.

Pursuant to the Sale and Purchase Agreement, the Vendors agreed to provide the Profit Guarantees in favour of the Purchaser such that the audited net consolidated profits before tax and any extraordinary or exceptional items of Grand Panorama for the financial years ending 31 December 2006 and 31 December 2007 shall not be less than RMB4,000,000 and RMB6,000,000 (equivalent to approximately HK\$4,000,000 and HK\$6,000,000 respectively). For further details of the Sale and Purchase Agreement and the Acquisition, please refer to the circular of the Company dated 30 May 2006. The calculation of the audited net consolidated profits before tax and any extraordinary or exceptional items of Grand Panorama shall conform to the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards. In the event that should Grand Panorama record a loss in its audited consolidated financial statements, the actual profit for such relevant financial year for the purpose of the Profit Guarantees shall be deemed as zero.

LETTER FROM THE BOARD

Assumed that the guaranteed profit for the year ending 31 December 2006 were not met and the Extension were not approved by the Shareholders other than the Vendors and the Guarantor and their respective associates at the SGM, the Vendors shall have to pay the Purchaser a maximum of RMB12,000,000 (equivalent to approximately HK\$12,000,000) under the Profit Guarantees for the financial year ending 31 December 2006, being three times of the guaranteed profit of Grand Panorama under the Profit Guarantees.

SUPPLEMENTAL AGREEMENT

Date: 17 November 2006

- Parties:**
- (1) Vendors : August Chance Investments Limited
Recognition International Limited
John S & Sherry H Chen 1994 Family Trust
Toh Teng Peow David
Tam Yuk Ching Jenny
Double Assets Investments Limited
Profitone Agents Limited
Universal Chinese Limited
Ever Perform Technology Limited
Fabulous On Services Limited
 - (2) Purchaser : Technology Venture Investments Limited, a wholly-owned subsidiary of the Company
 - (3) Guarantor : Samuel Lin Jr., who guarantees the performance of the Vendors

The Vendors include individual, corporate or institutional investors. The Guarantor is the ultimate beneficial owner of Universal Chinese Limited, one of the Vendors. Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and in the case the Vendor being a corporation, their respective ultimate beneficial owners, are third parties independent of the Company and connected persons of the Company.

The Purchaser is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and is principally engaged in investment holdings.

The Extension

Taking into consideration of the unexpected recent policy changes in relation to the PRC property market as mentioned in the section headed "Reasons for the Extension" below, the Purchaser entered into the Supplemental Agreement with the Vendors and the Guarantor pursuant to which the parties to the Supplemental Agreement agreed to extend the time for fulfilment of Profit Guarantees so that the audited net consolidated profits before tax and any extraordinary or exceptional items of Grand Panorama for the financial years ending 31 December 2007 and 31 December 2008 shall not be less than RMB4,000,000

LETTER FROM THE BOARD

and RMB6,000,000 respectively (equivalent to approximately HK\$4,000,000 and HK\$6,000,000 respectively). The calculation of the audited net consolidated profits before tax and any extraordinary or exceptional items of Grand Panorama for the financial years ending 31 December 2007 and 31 December 2008 shall conform to the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards.

The Extension only involves the extension of the time for fulfilment of Profit Guarantees and the aggregate guaranteed profits under the Profit Guarantees remain unchanged. The Extension will not affect the other existing rights, obligations and liabilities of the parties to the Sale and Purchase Agreement respectively. Save for the Extension, there is no other amendments to the existing terms and conditions of the Sale and Purchase Agreement under the Supplemental Agreement.

The Extension constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules.

REASONS FOR THE EXTENSION

The Group is engaged in the distribution of information technology products, the provision of computer technology services and the carrying on of property agency business.

With regard to the overheated property market in the PRC, the PRC government has adopted new policy and measures in regulating the property market since June 2006, which is more stringent in terms in comparison with past policy and measures. Various austerity measures have been imposed to cool off the property market in the PRC. For example, any profits arising from the sale of any property within five years from the date of purchase will be subject to the PRC income taxes and except under exceptional circumstances, individuals have to pay at least 30% of the price of the property in order to obtain mortgage loan over the property. The policy changes have direct adverse influence to the business of Grand Panorama, which, at this development stage, concentrates on its property agency business in Shanghai, PRC. Further, the recent personnel change in the local government of Shanghai also has impact in general on the property market in Shanghai. Despite the recent policy changes, the Directors (including the independent non-executive Directors) are of the opinion that in long term, the PRC property market will undergo continuous growth and future prospects and outlook in that business sector remains to be good.

According to the unaudited management accounts of Grand Panorama, the performance of Grand Panorama for the first four months met the expectation of the Company under the Profit Guarantees. However, the performance of Grand Panorama deteriorated since the announcement of the new austerity policy and measures on PRC property market in May 2006. The monthly turnover of Grand Panorama in April 2006 was approximately HK\$1,270,000 and since the announcement of the policy change, the monthly turnover of Grand Panorama decreased to approximately HK\$766,000 in July 2006 and approximately HK\$441,000 in September 2006 respectively. The accumulated loss of Grand Panorama for the first nine months ended 30 September 2006 amounted to approximately HK\$3,775,000. The management accounts of Grand Panorama are prepared in accordance with Hong Kong Generally Accepted Accounting Principles.

LETTER FROM THE BOARD

As evidenced from the management accounts of Grand Panorama, the Directors (including the independent non-executive Directors) are of the view that the policy change is the main cause for the failure in achieving the Profit Guarantees and for the reasons further elaborated below, the Extension is in the interests of the Company and the Shareholders as a whole. Based on the management accounts, both the Vendors and the Company consider that the Profit Guarantees are unlikely to be met for the year ending 31 December 2006.

The Board has taken various factors into account before entering into the Supplemental Agreement, in particular but not limited to the recent unexpected policy changes on the PRC property market. The Directors are of the view that under such unexpected circumstances, it is unreasonable and unjustifiable to force the staff of Grand Panorama to achieve the Profit Guarantees within this year.

In addition, the Board considers that taking into account of the time and costs involved, it is not in the interests of the Company and its Shareholders to initiate any legal actions and proceedings to recover the Profit Guarantees against the Vendors at this moment, as the Company may not necessarily succeed in such actions and proceedings given the unforeseeable policy changes.

For comity between the Company and the Vendors, the Supplemental Agreement was entered into among the relevant parties after arm's length negotiations. As the total guaranteed profits remain the same and the Extension will not discharge the obligations of the Vendors under the Sale and Purchase Agreement, the Directors are of the view that there will not be any significant adverse effects, if any, caused by the Extension.

The Directors (including the independent non-executive Directors) have noted the concerns of the auditors of the Company, Lawrence CPA Limited in relation to (a) the net loss of Grand Panorama of approximately HK\$3 million for the nine months ended 30 September 2006; and (b) the negative net asset value of Grand Panorama of approximately HK\$2 million as at 30 September 2006, as stated in the accountants' report set out in Appendix II of this circular. However, the Directors considered that with suitable supports from the Group, including but not limited to the utilization of information technology of the Group, in the long run, the financial position of Grand Panorama will improve as the normal PRC property market becomes restored. Reference is made to the announcement of the Company dated 26 August 2005 in relation to the acquisition of Acacia Asia Partners Limited ("**Acacia BVI**"). The Board expects that the proprietary software for data management developed by Acacia will assist Grand Panorama to have an edge over its competitors in the PRC property market.

The Directors (including the independent non-executive Directors) have considered the possible adverse effects on the Company and the Shareholders as a result of the Extension, including but not limited to any effects caused by the deferral in achieving the guaranteed profits under the Profit Guarantees. The Board (including the independent non-executive Directors) considers that the terms and conditions of the Supplemental Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Since Grand Panorama was incorporated on 6 December 2005, there had not been any operations or turnovers recorded (save for administrative expenses of HK\$8,000) for the period from 6 December 2005 to 31 December 2005. As shown in the audited consolidated financial statements of Grand Panorama, the turnover, net loss before taxation and net loss after taxation for the period from 1 January 2006 to 30 September 2006 were approximately HK\$5,400,000, HK\$3,330,000 and HK\$3,330,000 respectively. The audited consolidated total assets of Grand Panorama as at 30 September 2006 was approximately HK\$2,800,000 and the audited consolidated net asset value of Grand Panorama was of a negative value of approximately HK\$2,200,000 as at 30 September 2006.

Except the Extension as set out in the Supplemental Agreement, the Sale and Purchase Agreement shall continue to be in full force and effect and all other rights, obligations and liabilities of the relevant parties under the Sale and Purchase Agreement shall remain enforceable and exercisable.

WAIVER APPLICATION

Rule 4.06(1)(a) of the Listing Rules requires the accountants' report included in this circular to include the results of the company has been acquired for the relevant period, i.e. the period from the date of incorporation to 31 December 2006.

The Supplemental Agreement was entered into on 17 November 2006. Financial information of Grand Panorama for the nine months ended 30 September 2006 was the latest information available for the auditors of the Company to prepare the accountants' report. As a result, the period reported by the auditors in the accountants' report included in this circular is restricted to the nine months ended 30 September 2006.

In this regard, the Company has applied to the Stock Exchange for a waiver from the strict compliance with Rule 4.06 of the Listing Rules on the following grounds:

1. The Directors have confirmed that, after performing all reasonable due diligence work which they consider appropriate, there is no material adverse change in the financial position of Grand Panorama since 30 September 2006, and that there is no event since 30 September 2006 which would materially affect the information as shown in the accountants' report of Grand Panorama.
2. A strict compliance with Rule 4.06 of the Listing Rules is impracticable under this circumstances and would inevitably substantially delay the despatch of the circular to Shareholders because it will take additional time for the financial information of Grand Panorama for the year ended 31 December 2006 to be prepared and the auditors will be required to conduct considerable further work to prepare, update and finalise the accountants' report to cover such additional period. Taking into consideration of the additional work and time involved, the Directors consider that the delay cannot be justified as (a) the delay will be unduly burdensome on the Company; and (b) the Shareholders will not be timely informed.

LETTER FROM THE BOARD

3. Financial information of Grand Panorama for the nine months ended 30 September 2006 was the latest information available for the auditors to prepare the accountants' report. This provides the latest available financial information to the Shareholders in relation to the Extension.

The waiver is subject to the following conditions:

- (1) this circular of the Company is to be despatched on or before 31 January 2007 and the SGM will be held no later than 28 February 2007; and
- (2) the Directors having confirmed in this circular that after performing all reasonable due diligence work which the Directors consider appropriate, the Directors are not aware of any material adverse change in the financial position of Grand Panorama since 30 September 2006, and there is no event since 30 September 2006 which would materially affect the information as shown in the accountants' report of Grand Panorama.

The waiver was granted by the Stock Exchange on the understanding that the above conditions will be satisfied.

LISTING RULES IMPLICATION

The Extension constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders other than the Vendors, the Guarantor and their respective associates at the SGM by way of poll. The Vendors have a material interest in the Extension and therefore the Vendors, the Guarantor and their respective associates will be abstain from voting in relation to the Extension at the SGM.

FINANCIAL EFFECTS OF THE EXTENSION

According to the audited financial statements of Grand Panorama, its loss after tax for the nine months from 1 January 2006 to 30 September 2006 is approximately HK\$3,330,000.

Grand Panorama is expected to make a loss for the year ended 31 December 2006 ("the Loss"). In this scenario and under the terms of the Sale and Purchase Agreement, the Vendors will have to pay the Purchaser the amount of HK\$12,000,000 for the Loss.

Assuming the transaction cost of the Extension is about HK\$600,000, the Extension has no impact on earnings of the Company for the year ended 31 December 2006. The net asset position of the Company as at 31 December 2006 will be decreased by approximately HK\$12,600,000 due to non-receipt of the guaranteed amount.

LETTER FROM THE BOARD

Immediately after completion of the Acquisition, the Acquisition will lead to an increase in the amount of the total assets of the Group by approximately HK\$2,841,000, an increase in the amount of the total liabilities of the Group by approximately HK\$5,088,000 and an increase in loss of approximately HK\$3,330,000 based on the audited financial statements of Grand Panorama for the period ended 30 September 2006. However, the Directors expect that Grand Panorama, as a subsidiary of the Group, will contribute positively to the results of the Group in the long run.

SGM

A notice convening the SGM to be held at Room 3101, 118 Connaught Road West, Hong Kong on 22 February 2007 at 11:00 a.m. is set out on pages 100 to 101 in this circular.

The Vendors, being holders of the Consideration Shares, have a material interest in the Extension and therefore the Vendors, the Guarantor and their respective associates will abstain from voting on the ordinary resolution approving the Extension.

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 registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, 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 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.

RE-ELECTION OF DIRECTORS

Reference is made to the announcements of the Company dated 23 June 2006 and 10 October 2006 in relation to, among other matters, the appointment of Mr. Tai as an independent non-executive Director and the appointment of Mr. Tang as an executive Director respectively. In accordance with the bye-laws of the Company, each of Mr. Tai and Mr. Tang will retire at the SGM and being eligible, offer each of themselves for re-election. A resolution for re-electing each of Mr. Tai and Mr. Tang as Director will be proposed at the SGM. Disclosures required under the Listing Rules pursuant to such re-election are included in the paragraph headed "Details of the Directors to be re-elected" in the appendices to this circular.

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 of the Shareholders present in person (or, in the case of a Shareholder being a corporation, by its authorised representative entitled to vote) or by proxy unless voting by way of a poll is required by the rules of the designated stock exchange or a poll is (before or on the declaration of the

LETTER FROM THE BOARD

result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (i) the chairman of such meeting; or
- (ii) 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) 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) 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; or
- (v) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

Unless a poll is duly demanded in accordance with the foregoing provisions, a declaration by the chairman that a resolution has on a show of hands been carried unanimously, or by a particular majority, or lost, and an entry to that effect 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 of or against such resolution.

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "Reasons for the Extension" above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Supplemental Agreement are fair and reasonable and the entering into the Supplemental Agreement and the Extension in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Extension and the transactions contemplated thereunder.

The Directors also consider that the re-election of Mr. Tai and Mr. Tang as Directors is in the interests of the Company and its Shareholders as a whole and accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the re-election.

LETTER FROM THE BOARD

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
Venture International Investment 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 2005. The auditors' reports on the financial statements of the Group for each of the three years ended 31 December 2005 did not contained any qualifications.

	Year ended 31 December		
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
RESULTS			
TURNOVER			
Continuing operations	128,884	237,841	261,692
Discontinued operations	96,224	–	–
	<u>225,108</u>	<u>237,841</u>	<u>261,692</u>
Cost of sales	<u>(207,990)</u>	<u>(210,676)</u>	<u>(225,408)</u>
Gross profit	<u>17,118</u>	<u>27,165</u>	<u>36,284</u>
LOSS FROM OPERATION	<u>(38,676)</u>	<u>(29,232)</u>	<u>(15,009)</u>
Finance costs	<u>(840)</u>	<u>(523)</u>	<u>(725)</u>
Loss on disposal of subsidiaries relating to discontinued operations	(22,213)	–	–
LOSS BEFORE TAX			
Continuing operations	(12,406)	(29,755)	(15,734)
Discontinued operations	(4,897)	–	–
	<u>(39,516)</u>	<u>(29,755)</u>	<u>(15,734)</u>
Tax			
Continuing operations	2,413	(175)	1,974
Discontinued operations	(740)	–	–
	<u>1,673</u>	<u>(175)</u>	<u>1,974</u>
LOSS BEFORE MINORITY INTERESTS	<u>(37,843)</u>	<u>(29,930)</u>	<u>(13,760)</u>
Minority interests	<u>2,171</u>	<u>3,077</u>	<u>(1,622)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u><u>(35,672)</u></u>	<u><u>(26,853)</u></u>	<u><u>(15,382)</u></u>
LOSS PER SHARE			
Basic	<u>HK\$0.02</u>	<u>HK\$0.05</u>	<u>HK\$0.03</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
ASSETS AND LIABILITIES			
Total assets	202,868	325,450	371,276
Total liabilities	<u>(47,559)</u>	<u>(190,306)</u>	<u>(206,572)</u>
	155,309	135,144	164,704
Minority interests	<u>–</u>	<u>(4,454)</u>	<u>(7,531)</u>
Shareholders' funds	<u>155,309</u>	<u>130,690</u>	<u>157,173</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 2005.

Consolidated Profit and Loss Account

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	6	128,884	237,841
Cost of sales		<u>(119,990)</u>	<u>(210,676)</u>
Gross profit		8,894	27,165
Other income	6	8,902	1,816
Selling and distribution expenses		(4,039)	(11,627)
Administrative expenses		(23,948)	(37,118)
Other expenses		(1,046)	(9,468)
Impairment losses of goodwill	15	<u>(602)</u>	<u>–</u>
LOSS FROM CONTINUING OPERATIONS	7	(11,839)	(29,232)
Finance costs	9	<u>(567)</u>	<u>(523)</u>
LOSS BEFORE TAX		(12,406)	(29,755)
Income tax income (expense)	10	<u>2,413</u>	<u>(175)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(9,993)	(29,930)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	33(b)	<u>(27,850)</u>	<u>–</u>
Loss for the year		<u><u>(37,843)</u></u>	<u><u>(29,930)</u></u>

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Attributable to:			
– Equity holders of the parent		(35,672)	(26,853)
– Minority interest		(2,171)	(3,077)
		<u>(37,843)</u>	<u>(29,930)</u>
LOSS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT	<i>11</i>		
Basic		<u>HK\$0.02</u>	<u>HK\$0.05</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	12	1,916	4,601
Intangible assets	13	12,772	1,387
Interest in a jointly controlled entity	16	–	104
Financial assets	17	91,700	66,681
Deposits	18	–	14,151
		<hr/>	<hr/>
		106,388	86,924
CURRENT ASSETS			
Inventories	19	3,444	28,197
Accounts and bills receivable	20	24,718	52,267
Prepayments, deposits and other receivables	18	16,006	50,019
Financial assets	17	–	23,045
Pledged time deposits	22	139	5,141
Cash and cash equivalents	22	52,173	79,857
		<hr/>	<hr/>
		96,480	238,526
TOTAL ASSETS		202,868	325,450
CURRENT LIABILITIES			
Accounts and bills payable	23	2,002	52,304
Tax payable		8,993	11,670
Accrued liabilities and other payables	24	35,525	79,953
Bank and other borrowings	25	626	45,617
Current portion of obligation under finance lease	26	203	275
		<hr/>	<hr/>
		47,349	189,819
NET CURRENT ASSETS		<hr/>	<hr/>
		49,131	48,707

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		155,519	135,631
NON-CURRENT LIABILITIES			
Obligation under finance lease	26	51	254
Deferred tax	27	159	233
		<u>210</u>	<u>487</u>
NET ASSETS		<u>155,309</u>	<u>135,144</u>
CAPITAL AND RESERVES			
Issued capital	28	55,735	50,273
Reserves	30(a)	99,574	80,417
		<u>155,309</u>	<u>130,690</u>
MINORITY INTEREST		<u>–</u>	<u>4,454</u>
TOTAL EQUITY		<u>155,309</u>	<u>135,144</u>

Consolidated Statement of Changes in Equity*Year ended 31 December 2005*

	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	Re- valuation reserve HK\$'000	Accumu- lated losses HK\$'000	Sub-total of reserves HK\$'000	Minority interest HK\$'000	Total HK\$'000
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>
At 1 January 2005	50,273	341,274	(19)	(43,248)	79	-	(217,669)	80,417	4,454	135,144
Issue of consideration shares	5,462	1,038	-	-	-	-	-	1,038	-	6,500
Write off on disposal of a subsidiary	-	-	-	42,646	-	-	-	42,646	-	42,646
Impairment of goodwill	-	-	-	602	-	-	-	602	-	602
Currency translation differences	-	-	-	-	315	-	-	315	-	315
Fair value gain on available- for-sale investment	-	-	-	-	-	10,228	-	10,228	-	10,228
Elimination on buyout of minority interest	-	-	-	-	-	-	-	-	(4,454)	(4,454)
Net loss for the year	-	-	-	-	-	-	(35,672)	(35,672)	-	(35,672)
At 31 December 2005	<u>55,735</u>	<u>342,312</u>	<u>(19)</u>	<u>-</u>	<u>394</u>	<u>10,228</u>	<u>(253,341)</u>	<u>99,574</u>	<u>-</u>	<u>155,309</u>

Consolidated Cash Flow Statement*Year ended 31 December 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before tax			
Continuing operations		(12,406)	(29,755)
Discontinued operation	33(b(1))	(4,897)	–
		<u>(17,303)</u>	<u>(29,755)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustments for:			
Bank interest income	6	(594)	(642)
Depreciation	12	2,255	2,700
Impairment of goodwill	15	602	–
Amortisation and write-off of deferred development costs	13	811	879
Write-off of fixed assets		56	–
Loss on disposal of fixed assets, net		4	–
Excess of net assets over cost of a business combination		(2,233)	–
Finance costs		840	523
Other income		(5)	–
Waiver by the buyer of a subsidiary of an amount due by the Group		18,615	–
Provision for doubtful debts, net		843	8,589
		<u>3,891</u>	<u>(17,706)</u>
Operating profit (loss) before changes in working capital		3,891	(17,706)
Changes in working capital	31	(28,261)	(9,601)
		<u>(24,370)</u>	<u>(27,307)</u>
Cash used in operations		(24,370)	(27,307)
PRC income tax paid		(1,078)	(147)
Hong Kong profits tax refunded		–	153
		<u>(25,448)</u>	<u>(27,301)</u>
Net cash outflow from operating activities		<u>(25,448)</u>	<u>(27,301)</u>
Net cash outflow from operating activities:			
Continuing operations		(11,298)	(27,301)
Discontinued operation	33(c)	(14,150)	–
		<u>(25,448)</u>	<u>(27,301)</u>

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	12	(1,001)	(1,644)
Repayment by (to) an investee company	17	23,045	(14,506)
Decrease in pledged time deposits		5,002	11,329
Increase in non-pledged time deposits with original maturity of more than three months when acquired		33,962	280
Bank interest received		594	913
Acquisition of subsidiary, net of cash acquired	32(d)	(5,909)	–
Sale proceeds of disposal of a subsidiary, net of cash of the subsidiary disposed of	33(a)	3,323	–
Effect of changes in foreign exchange rate, net		(415)	15
Disposal of in a jointly controlled entity	16	–	(104)
Refund of deposits for investment, net	18	–	13,502
Net cash inflow from investing activities		<u>58,601</u>	<u>9,785</u>
Net cash inflow (outflow) from investing activities:			
Continuing operations		59,350	9,785
Discontinued operation	33(c)	(749)	–
		<u>58,601</u>	<u>9,785</u>

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
New inception of bank loans		47,115	45,655
New inception of other loans		6,500	–
Repayment of bank loans		(69,865)	(40,283)
Repayment of other loans		(8,060)	–
Decrease in loan under trust receipt		(1,170)	–
Interest paid		(805)	(486)
Payment of finance lease:			
– capital element		(275)	(290)
– interest element		(35)	(37)
Exercise of share options		–	355
		<u> </u>	<u> </u>
Net cash inflow (outflow) from financing activities		<u>(26,595)</u>	<u>4,914</u>
Net cash inflow (outflow) from financing activities:			
Continuing operations		(26,955)	4,914
Discontinued operation	33(c)	360	–
		<u> </u>	<u> </u>
		<u>(26,595)</u>	<u>4,914</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		6,558	(12,602)
Cash and cash equivalents at beginning of the year		<u>44,989</u>	<u>57,591</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
		<u>51,547</u>	<u>44,989</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		52,173	45,895
Bank overdraft, secured		(626)	(906)
		<u> </u>	<u> </u>
		<u>51,547</u>	<u>44,989</u>

Balance Sheet*At 31 December 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	12	254	460
Interests in subsidiaries	14	100,847	104,158
		<u>101,101</u>	<u>104,618</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		515	468
Due from an investee company		–	15
Pledged time deposits	22	–	3,000
Cash and cash equivalents	22	30	29
		<u>545</u>	<u>3,512</u>
TOTAL ASSETS		<u>101,646</u>	<u>108,130</u>
CURRENT LIABILITIES			
Accrued liabilities and other payables	24	4,037	2,508
Bank and other borrowings	25	598	856
Current portion of obligation under finance lease	26	203	275
		<u>4,838</u>	<u>3,639</u>
NET CURRENT LIABILITIES		<u>(4,293)</u>	<u>(127)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		96,808	104,491
NON-CURRENT LIABILITIES			
Obligation under finance lease	26	51	254
		<u>96,757</u>	<u>104,237</u>
CAPITAL AND RESERVES			
Issued capital	28	55,735	50,273
Reserves	30(b)	41,022	53,964
		<u>96,757</u>	<u>104,237</u>

Notes to Financial Statements*31 December 2005***1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

Venture International Investment Holdings Limited (formerly known as “Technology Venture Holdings Limited”) (“the Company”) and its subsidiaries (together “the Group”) distribute and sell 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 address of its principal place of business in Hong Kong 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, the Group’s consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000). Immaterial items are not presented.

These consolidated financial statements have been approved for issue by the Board of Directors on 13 April, 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the compilation of these consolidated financial statements are summarised below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

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 summarised in Note 4.

The adoption of HKFRS

In 2005, the Group adopts the standards and interpretations 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 Share
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 expends 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 expended 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 expending of cost of share option during the year.

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 also reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38.

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 year ended 31 December 2005, there are the following impacts on the financial information:

	<i>HK\$'000</i>
The adoption of HKAS 39 results in:	
Increase in available-for-sale investments (<i>Note 17</i>)	<u>10,228</u>
Increase in revaluation reserve	<u>10,228</u>
The adoption of HKFRS 3 results in:	
Decrease in goodwill previously taken directly to reserves (<i>Note 15</i>)	<u>602</u>
Increase in accumulated losses	<u>602</u>

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 recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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 Hong Kong 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 recognised 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 recognised 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 operation is sold, such exchange differences are recognised 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 recognised 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) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year; are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding three years.

(c) *Deferred development costs*

Deferred development costs represent costs incurred in the development of products of the Group's brand names and are amortised 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 amortisation, 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 recognised 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 recognised 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 recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised 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 recognised 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 amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised 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 amortised 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 recognised as employee benefit expense when they are due. Prepaid contributions are recognised 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 recognised as an expense. The total amount to be expended 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 recognised 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 recognises a liability and an expense. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.12 Provision

Provisions are recognised 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 recognised 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 recognised 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 recognised as follows:

(a) *Sale of goods*

Sale of goods is recognised 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) *Rendering of service*

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

(c) *Interest income*

Interest income is recognised 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 recognised 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.

2.16 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.

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 recognised assets and liabilities, entities in the Group use forward contracts on a discretionary basis. Foreign exchange risk arises when future commercial transactions, recognised 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 and bad debts.

5. SEGMENT INFORMATION

Segment information is presented primarily by business and secondarily by geographical locations of external 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 principal 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.

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		IT management and support		Eliminations		Total for continuing operations	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	124,899	78,270	3,462	159,571	523	-	-	-	128,884	237,841
Intersegment sales	-	-	-	820	-	-	-	(820)	-	-
Interest income	550	194	-	213	2	-	-	-	552	407
Other income	5,514	178	12	657	-	-	-	-	5,526	835
Total	<u>130,963</u>	<u>78,642</u>	<u>3,474</u>	<u>161,261</u>	<u>525</u>	<u>-</u>	<u>-</u>	<u>(820)</u>	<u>134,962</u>	<u>239,083</u>
Segment results	<u>(2,017)</u>	<u>(5,314)</u>	<u>1,527</u>	<u>(6,527)</u>	<u>141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(349)</u>	<u>(11,841)</u>
Unallocated interest income									41	235
Unallocated gains									2,783	339
Unallocated expenses									<u>(14,314)</u>	<u>(17,965)</u>
Loss from continuing operations									<u>(11,839)</u>	<u>(29,232)</u>
Finance costs									<u>(567)</u>	<u>(523)</u>
Loss before tax									<u>(12,406)</u>	<u>(29,755)</u>
Income tax income (expense)									<u>2,413</u>	<u>(175)</u>
Loss for the year from continuing operations									<u><u>(9,993)</u></u>	<u><u>(29,930)</u></u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	Banking and finance systems integration services		Software solutions for banks and the public sector		IT management and support		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	152,434	278,547	77	111,702	14,206	-	(58,392)	(135,616)	108,325	254,633
Unallocated assets:										
Available-for-sale investments									91,700	66,681
Others									2,843	4,136
Total assets									<u>202,868</u>	<u>325,450</u>
Segment liabilities	(89,919)	(172,943)	(1,118)	(78,418)	(589)	-	58,392	135,616	(33,234)	(115,745)
Unallocated liabilities									(13,699)	(74,561)
Bank overdrafts included in segment liabilities									(626)	-
Total liabilities									<u>(47,559)</u>	<u>(190,306)</u>
Other segment information:										
Cash and bank balances included in segment assets	51,616	44,597	28	35,231	489	-	-	-	52,133	79,828
Unallocated amounts									40	29
									<u>52,173</u>	<u>79,857</u>
Pledged time deposits included in segment assets	139	2,141	-	-	-	-	-	-	139	2,141
Unallocated amounts									-	3,000
									<u>139</u>	<u>5,141</u>
Depreciation and amortisation	1,310	1,685	500	1,380	-	-	-	-	1,810	3,065
Unallocated amounts									445	514
									<u>2,255</u>	<u>3,579</u>
Provision for doubtful debts, net	1,042	6,059	3	2,530	-	-	-	-	1,045	8,589
Other non-cash expenses	-	-	(2)	-	-	-	-	-	(2)	-
Unallocated amounts									(56)	-
									<u>(58)</u>	<u>-</u>
Capital expenditure	322	1,090	388	442	62	-	-	-	772	1,532
Unallocated amounts									295	112
									<u>1,067</u>	<u>1,644</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	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	524	430	128,360	237,411	-	-	128,884	237,841
Intersegment sales	-	-	-	820	-	(820)	-	-
	<u>524</u>	<u>430</u>	<u>128,360</u>	<u>238,231</u>	<u>-</u>	<u>(820)</u>	<u>128,884</u>	<u>237,841</u>
Segment assets	569,409	580,657	95,673	254,564	(553,914)	(576,556)	111,168	258,665
Unallocated amounts:								
Available-for-sale investments							91,700	66,785
							<u>202,868</u>	<u>325,450</u>
Other segment information:								
Capital expenditure	<u>295</u>	<u>119</u>	<u>772</u>	<u>1,525</u>	<u>-</u>	<u>-</u>	<u>1,067</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.

6. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
CONTINUING OPERATIONS:		
Revenue		
- Sale of goods	110,958	208,194
- Rendering of computer technology services	17,926	29,647
	<u>128,884</u>	<u>237,841</u>
Other income		
- Interest income	594	642
- Reversal of over-provision of business tax in previous years	5,285	-
- Excess of interest in the net fair value of acquiree's identifiable assets and liabilities over cost of acquisition of Advanced Digital Technology Company Limited	2,234	-
- Waiver by a minority shareholder of a subsidiary of an amount due by the Group	-	657
- Government tax subsidies	453	178
- Sundry income	336	339
	<u>8,902</u>	<u>1,816</u>
	<u>137,786</u>	<u>239,657</u>

7. LOSS FROM CONTINUING OPERATIONS

The Group's loss from continuing operation is arrived at after charging (crediting):

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Costs of inventories sold and services rendered		119,990	210,676
Depreciation	12	1,754	2,700
Impairment of goodwill		602	–
Amortisation of deferred development costs	13	–	879
Payments under operating leases in respect of land and buildings		3,171	3,140
Auditors' remuneration		897	1,400
Staff costs, excluding directors' remuneration:			
– Salaries		10,750	30,399
– Retirement benefit – payment to defined compensation plans:			
– Mainland China		1,394	3,917
– Hong Kong		115	113
– Other benefits		1,405	–
		<u>13,664</u>	<u>34,429</u>
Exchange loss (gain), net		(747)	27
Write-off of fixed assets, net		56	–
Provision for doubtful debts, net		<u>1,045</u>	<u>8,589</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:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees:		
Independent non-executive directors	550	440
	<u>550</u>	<u>440</u>
Other emoluments of executive directors:		
Basic salaries, allowances and benefits in kind	6,424	6,743
Contributions to Mandatory Provident Fund	37	45
	<u>6,461</u>	<u>6,788</u>
	<u>7,011</u>	<u>7,228</u>

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$3,000,000	2	2
	<u>7</u>	<u>7</u>

(b) The remuneration of every director for the year is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
(1) Executive				
Chan Tze Ngon	–	2,686	12	2,698
Wu Emmy	–	2,730	12	2,742
Tang King Hung	–	968	12	980
Chow Siu Lam, Cliff (resigned on 1 Feb 2005)	–	40	1	41
(2) Independent Non-executive				
Lo Siew Kiong, John	200	–	–	200
Fu Yan Yan	200	–	–	200
Wang Xi Ling	150	–	–	150
	<u>550</u>	<u>6,424</u>	<u>37</u>	<u>7,011</u>

(c) **Five highest paid employees**

The five highest paid employees included three (2004: three) directors during the year, details of whose remuneration are set out above.

Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, other allowances and benefits in kind	1,241	1,375
Contributions to Mandatory provident fund	24	24
	<u>1,265</u>	<u>1,399</u>

The remuneration of each of the non-director, highest paid employees for the year ended 31 December 2005 and 2004 fell within the Nil to HK\$1,000,000 band.

During the year, no discretionary bonus, inducement to join and compensation for loss of office has been made.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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.

9. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank and other borrowing wholly repayable within five years	532	486
Interest on finance leases	35	37
	<u>567</u>	<u>523</u>

10. TAX

	Continuing Operations	Discontinued Operation	2005 Total	2004 Total
	2005 HK\$'000	2005 HK\$'000	2005 Total HK\$'000	2004 Total HK\$'000
Current tax:				
Hong Kong	-	-	-	-
Mainland China	1,160	131	1,291	1,415
Underprovision (Overprovision) in prior years	(3,499)	609	(2,890)	(1,240)
Tax (income) charge	(2,339)	740	(1,599)	175
Deferred tax (Note 27)	(74)	-	(74)	-
	<u>(2,413)</u>	<u>740</u>	<u>(1,673)</u>	<u>175</u>

The tax income arises due to reversal of excess amounts of corporate income tax in respect of branch office in Mainland China provided in previous years.

The current tax charge principally relate to the following companies.

(a) Continuing operations

The corporate income tax rate applicable to Topasia Tech (Shanghai) Limited, a subsidiary of the Company established in Mainland China, is 27%.

The corporate income tax rate applicable to Topasia IT Service (Shanghai) Co., Ltd., a subsidiary of the Company established in Mainland China, is 33%.

(b) Discontinued operation

Beijing Advanced Digital Information Technology Company Limited (“ADT (BJ)”), a subsidiary of the Company established in Mainland China, is exempted from 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 China. The corporate income tax rate applicable to ADT (BJ) is 15%. As a result of the exemptions, ADT (BJ) is exempted from the obligation to pay income tax for the years ended 31 December 2001, 2002 and 2003, and subject to income tax at the rate of 7.5% for the year ended 31 December 2004 and 31 December 2005.

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:

	Continuing Operations	Discontinued Operation	2005 Total	2004 Total
	2005 HK\$'000	2005 HK\$'000	2005 Total HK\$'000	2004 Total HK\$'000
Loss before tax	<u>(12,406)</u>	<u>(4,897)</u>	<u>(17,303)</u>	<u>(29,755)</u>
Tax credit at the applicable rates to losses in the countries concerned	(7,828)	(735)	(8,563)	(4,603)
Income not subject to tax	(9,679)	–	(9,679)	(505)
Expenses not deductible for tax	18,663	866	19,529	6,559
Increase in unutilised tax losses carryforward	4	–	4	22
Tax losses from previous years utilised	<u>–</u>	<u>–</u>	<u>–</u>	<u>(58)</u>
Tax charge at the Group’s effective rate	1,160	131	1,291	1,415
Adjustments in respect of current tax of previous year	<u>(3,573)</u>	<u>609</u>	<u>(2,964)</u>	<u>(1,240)</u>
Tax charge (credit) at the Group’s effective rate	<u>(2,413)</u>	<u>740</u>	<u>(1,673)</u>	<u>175</u>

The Group has tax losses arising in Hong Kong of approximately HK\$18,000,000 (2004: HK\$18,000,000) 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 due to uncertainty of future results.

11. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss attributable to equity holders of the Company		
– Continuing operations	7,822	26,853
– Discontinued operation	27,850	–
	<u>35,672</u>	<u>26,853</u>
Weighted average number of ordinary shares in issue (thousands)	<u>516,048</u>	<u>502,435</u>
Basic loss per share (HK\$ per share)		
– Continuing operations	<u>0.02</u>	<u>0.05</u>
– Discontinued operation	<u>0.05</u>	<u>–</u>

Diluted loss per share amounts are not presented as the share options outstanding during the years had an anti-dilutive effect on the basic loss per share.

12. FIXED ASSETS

Group

	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 the year	3,647	24,928	2,570	31,145
Additions	250	660	91	1,001
Additions of subsidiaries	–	66	–	66
Disposal of a subsidiary	(624)	(3,137)	(244)	(4,005)
Disposals	–	(15)	–	(15)
Write-off	(1,716)	(1,819)	(277)	(3,812)
Exchange differences	–	68	16	84
	<u>1,557</u>	<u>20,751</u>	<u>2,156</u>	<u>24,464</u>
Accumulated depreciation:				
At beginning of the year	3,529	21,258	1,757	26,544
Provided during the year	91	1,589	575	2,255
Disposal of a subsidiary	(624)	(1,724)	(176)	(2,524)
Additions of subsidiaries	–	1	–	1
Disposals	–	(11)	–	(11)
Write-off	(1,660)	(1,819)	(277)	(3,756)
Exchange differences	–	31	8	39
	<u>1,336</u>	<u>19,325</u>	<u>1,887</u>	<u>22,548</u>
Net book value:				
At 31 December 2005	<u>221</u>	<u>1,426</u>	<u>269</u>	<u>1,916</u>
At 31 December 2004	<u>118</u>	<u>3,670</u>	<u>813</u>	<u>4,601</u>
Net book value of assets under finance lease:				
At 31 December 2005	<u>–</u>	<u>–</u>	<u>8</u>	<u>8</u>
At 31 December 2004	<u>–</u>	<u>–</u>	<u>327</u>	<u>327</u>

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 the year	1,715	1,047	1,295	4,057
Additions	189	106	–	295
Write-off	(1,716)	–	–	(1,716)
	<u>188</u>	<u>1,153</u>	<u>1,295</u>	<u>2,636</u>
Accumulated depreciation:				
At beginning of the year	1,614	1,015	968	3,597
Provided during the year	78	48	319	445
Write-off	(1,660)	–	–	(1,660)
	<u>32</u>	<u>1,063</u>	<u>1,287</u>	<u>2,382</u>
Net book value:				
At 31 December 2005	<u>156</u>	<u>90</u>	<u>8</u>	<u>254</u>
At 31 December 2004	<u>101</u>	<u>32</u>	<u>327</u>	<u>460</u>

13. INTANGIBLE ASSETS

Group

	Goodwill <i>HK\$'000</i>	Deferred development cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January and 31 December 2004	-----	-----	-----
	-	6,869	6,869
Accumulated amortization:			
At 1 January 2004	-	4,603	4,603
Amortisation during the year	-----	-----	-----
	-	879	879
At 31 December 2004	-----	-----	-----
	-	5,482	5,482
Net book value:			
At 31 December 2004	<u>-----</u>	<u>-----</u>	<u>-----</u>
	-	1,387	1,387
Cost:			
At 1 January 2005	-	6,869	6,869
Additions	12,772	-	12,772
Disposal of a subsidiary	-	(2,636)	(2,636)
Write-off	-----	-----	-----
	-	(4,233)	(4,233)
At 31 December 2005	-----	-----	-----
	12,772	-	12,772
Accumulated amortization:			
At 1 January 2005	-	5,482	5,482
Amortisation during the year	-	811	811
Disposal of a subsidiary	-	(2,060)	(2,060)
Write-off	-----	-----	-----
	-	(4,233)	(4,233)
At 31 December 2005	-----	-----	-----
	-	-	-
Net book value:			
At 31 December 2005	<u>-----</u>	<u>-----</u>	<u>-----</u>
	12,772	-	12,772

14. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	39,631	39,631
Due from subsidiaries	328,639	331,989
Due to subsidiaries	(2,041)	(2,080)
	<hr/>	<hr/>
Provision for impairment	366,229 (265,382)	369,540 (265,382)
	<hr/>	<hr/>
	<u>100,847</u>	<u>104,158</u>

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

At the balance sheet date, the Company has interests in the following principal subsidiaries:

Company	Place of incorporation/ and operations	Nominal value of paid-up share/ registered capital	Proportion of ownership interest		Principal activities
			2005	2004	
Held directly:					
Technology Venture Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000 (equivalent to approximately HK\$78,000)	100	100	Investment holding
Held indirectly:					
Sequent China/ Hong Kong Limited	Hong Kong/ Mainland China	Ordinary HK\$10,000	100	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 (equivalent to approximately HK\$78,000)	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
Advanced Digital Technology Company Limited	British Virgin Islands/ Mainland China	Ordinary US\$1,000 (equivalent to approximately HK\$78,000)	100	55	Investment holding
Advanced Digital Technology Company Limited	Hong Kong/ Mainland China	Ordinary HK\$2	100	55	Provision of systems integration services and software development

Company	Place of incorporation/ and operations	Nominal value of paid-up share/ registered capital	Proportion of ownership interest		Principal activities
			2005	2004	
Topasia Tech (Shanghai) Limited (<i>Note 1</i>)	Mainland China	Registered Capital US\$3,800,000 (equivalent to approximately HK\$29,640,000)	100	100	Distribution of information technology products and provision of computer technology services
Topasia IT Service (Shanghai) Company Limited (<i>Note 2</i>)	Mainland China	Registered Capital US\$1,000,000 (equivalent to approximately HK\$7,800,000)	100	100	Provision of systems integration and maintenance services
Acacia Asia Partners Limited	British Virgin Islands/ Mainland China	Ordinary US\$1	100	-	Investment holding
Acacia Asia Partners Limited (<i>Note 3</i>)	Mainland China	Registered Capital US\$140,000 (equivalent to approximately HK\$1,092,000)	100	-	Network technology, software development and provision of technical support services

Notes:

- Topasia Tech (Shanghai) Limited 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.
- Topasia IT Service (Shanghai) Company Limited 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.
- Acacia Asia Partners Limited ("Acacia SH") is a wholly-foreign owned enterprise established by Acacia Asia Partners Limited ("Acacia BVI") in Mainland China for a period of 20 years commencing from the date of issuance of its business licence on 20 July 2005.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect 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 PREVIOUSLY TAKEN DIRECTLY TO RESERVES

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

	2005 HK\$'000	2004 HK\$'000
Goodwill acquired in business combinations:		
At beginning of the year	43,248	43,248
Write-off on disposal of a subsidiary (<i>Note 33b (2)</i>)		
– Beijing Advanced Digital Information Technology Company Limited	(42,646)	–
Impairment losses		
– Sequent China/Hong Kong Limited	(602)	–
At end of the year	<u>–</u>	<u>43,248</u>

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets, unlisted	<u>–</u>	<u>104</u>

The investments of 33.33% in Advanced Yixin Technology Co., Ltd. was disposed of together with ADT (BJ) in November 2005.

17. FINANCIAL ASSETS

	2005	2004
	HK\$'000	HK\$'000
Non-current assets		
Available-for-sale investments:		
Listed, outside Hong Kong	66,681	66,681
14.96% of ChinaCast Communication Holdings Limited		
Revaluation surplus transferred to equity	<u>10,228</u>	<u>–</u>
	76,909	66,681
Unlisted, outside Hong Kong		
20% of Beijing Dongshi Shuangwei Education Technology Company Limited (<i>Note 18</i>)	<u>14,791</u>	<u>–</u>
	<u>91,700</u>	<u>66,681</u>
Current assets		
Advance to CCT Group		
– unsecured	–	23,030
Other receivables	<u>–</u>	<u>15</u>
	<u>–</u>	<u>23,045</u>

ChinaCast Communication Holdings Limited (“CCH”), a company incorporated in Bermuda on 20 November 2003, is the listed holding company of the ChinaCast Technology Group (“CCT Group”). In the opinion of the directors, the Group has no significant influence over CCH and its group companies.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

- (a) The balances of deposits classified under non-current assets in 2004 include a deposit in respect of the 20% equity investment in Beijing Dongshi Shuangwei Education Technology Company Limited. The acquisition was completed in March 2005 and the amount is accounted for as available-for-sale investment in 2005.
- (b) As at 31 December 2005, the aggregate amount of prepayments, deposits and other receivables includes the balance of a current accounts of HK\$335,443 due from a related companies of which certain directors of a subsidiary of the Company are directors.

19. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Information technology products held for resale	3,444	20,353
Work in progress	—	7,844
	<u>3,444</u>	<u>28,197</u>

None of the above inventories was carried at net realisable value at the balance sheet date (2004: Nil).

20. ACCOUNTS AND BILLS RECEIVABLE

	2005	2004
	HK\$'000	HK\$'000
Accounts receivable	70,720	102,799
Less: Provision for impairment	(46,002)	(50,532)
Accounts receivable, net	<u>24,718</u>	<u>52,267</u>

The aging analysis of the accounts and bills receivable at the balance sheet date, based on invoice date and net of provision, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current to 90 days	13,865	37,143
91 days to 180 days	6,994	2,990
181 days to 365 days	3,289	5,007
Over 365 days	570	7,127
	<u>24,718</u>	<u>52,267</u>

Included in the Group's accounts receivable balance are amounts due from a minority shareholder and a related company of HK\$nil (2004: HK\$2,515,000) and HK\$155,769 (2004: nil), respectively. They are repayable on credit terms similar to those offered to other customers of the Group.

21. IMPAIRMENT OF GOODWILL

The carrying amounts of investment in and the goodwill arising from the acquisition of Sequent China/Hong Kong Limited have been written off due to its net liability situation and lack of business prospect.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cash and bank balance	52,173	45,895	30	29
Pledged time deposits	139	5,141	–	3,000
Other time deposits with original maturity of more than three months when acquired	–	33,962	–	–
	52,312	84,998	30	3,029
Less: Pledged time deposits	(139)	(5,141)	–	(3,000)
Cash and cash equivalents	<u>52,173</u>	<u>79,857</u>	<u>30</u>	<u>29</u>

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

23. ACCOUNTS AND BILLS PAYABLE

	Group	
	2005 HK\$'000	2004 HK\$'000
Accounts and bills payable	1,677	51,372
Due to certain minority shareholders	325	325
Due to related companies	–	607
	<u>2,002</u>	<u>52,304</u>

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

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Current to 90 days	–	25,981
91 days to 180 days	160	187
181 days to 365 days	8	10,740
Over 365 days	1,834	15,396
	<u>2,002</u>	<u>52,304</u>

24. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued expenses and other liabilities	35,525	55,245	4,037	2,508
Due to a minority shareholder of a subsidiary	–	24,708	–	–
	<u>35,525</u>	<u>79,953</u>	<u>4,037</u>	<u>2,508</u>

Notes:

Part of the amount due to a minority shareholder of a subsidiary of HK\$13,574,000 as at 31 December 2004 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 HK\$11,134,000 as at 31 December 2004 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. BANK AND OTHER BORROWINGS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts repayable on demand, secured	626	–	598	856
Bank overdrafts repayable on demand, unsecured	–	906	–	–
Bank loans, repayable within one year, secured	–	41,981	–	–
Trust receipt loans repayable within one year, secured	–	1,170	–	–
Other loans repayable within one year, unsecured	–	1,560	–	–
	<u>626</u>	<u>45,617</u>	<u>598</u>	<u>856</u>

As at 31 December 2005, the Group's banking facilities were secured by:

- (i) corporate guarantees executed by the Company to the extent of HK\$20,000,000 (2004: HK\$20,000,000);
- (ii) the pledge of the Group's time deposits amounting to approximately HK\$139,000 (2004: HK\$5,141,000) (*Note 22*);
- (iii) the pledge of the Group's accounts receivable of RMBNil (2004: RMB385,000 (equivalent to approximately HK\$385,000)) (*Note 20*); and
- (iv) the pledge of bank deposits of the CCT Group of US\$Nil (2004: US\$3,300,000 (equivalent to approximately HK\$25,740,000)).

26. OBLIGATION UNDER FINANCE LEASE

The Company has leased 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 date, the total future minimum payments under the leases was as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable:				
not later than 1 year	232	311	232	311
In the 2nd to 5th years	<u>58</u>	<u>290</u>	<u>58</u>	<u>290</u>
Total minimum finance lease payments	290	601	290	601
Future finance charges	<u>(36)</u>	<u>(72)</u>	<u>(36)</u>	<u>(72)</u>
Total obligation under finance lease	<u><u>254</u></u>	<u><u>529</u></u>	<u><u>254</u></u>	<u><u>529</u></u>
Classified into amounts payable:				
not later than 1 year	203	275	203	275
In the 2nd to 5th years	<u>51</u>	<u>254</u>	<u>51</u>	<u>254</u>
	<u><u>254</u></u>	<u><u>529</u></u>	<u><u>254</u></u>	<u><u>529</u></u>

27. DEFERRED TAX

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	233	233
Transfer back to income statement (<i>Note 10</i>)	<u>(74)</u>	<u>-</u>
At end of the year	<u><u>159</u></u>	<u><u>233</u></u>

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

28. SHARE CAPITAL

Shares

	2005 HK\$'000	2004 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u><u>100,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
557,351,493 ordinary shares of HK\$0.10 each (2004: 502,729,644)	<u><u>55,735</u></u>	<u><u>50,273</u></u>

During the year ended 31 December 2004, 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.

On 4 October 2005, 54,621,849 ordinary shares were issued at an issue price of HK\$0.119 per share to an independent third party for part of the consideration of HK\$6,500,000.00 for acquisition of 100% equity interest in Acacia Asia Partners Limited.

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

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 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 and 1 January 2005	502,729,644	50,273	341,274	391,547
Issue of consideration shares	<u>54,621,849</u>	<u>5,462</u>	<u>1,038</u>	<u>6,500</u>
At 31 December 2005	<u><u>557,351,493</u></u>	<u><u>55,735</u></u>	<u><u>342,312</u></u>	<u><u>398,047</u></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 2002. Accordingly, no further options can be granted under the Previous Scheme as from 30 May 2002. 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 ended 31 December 2005 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.

At the balance sheet date, the Company had 9,365,000 (2004: 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 9,365,000 (2004: 49,855,000) additional ordinary shares of the Company and proceeds, before relevant share issue expenses, of HK\$5,217,000 (2004: HK\$14,750,000).

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

Grantee	Number of share options				Date of grant*	Share price of the Company at grant date**	Exercise price***	Exercise period of share options
	At 1 January 2005	Exercised during the year	Cancelled during the year	At 31 December 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
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	15,635,000	-	7,590,000	8,045,000	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>17,900,000</u>	<u>1,320,000</u>				
Total	<u>49,855,000</u>	<u>-</u>	<u>40,490,000</u>	<u>9,365,000</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 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 the Group reorganisation in 1999 over the nominal value of the share capital of the Company issued in exchange.

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

(b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	341,071	39,431	(309,708)	70,794
Exercise of share options (<i>Note 29</i>)	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
Issue of consideration shares (<i>Note 28</i>)	1,038	-	-	1,038
Net loss for the year	<u>-</u>	<u>-</u>	<u>(13,980)</u>	<u>(13,980)</u>
At 31 December 2005	<u>342,312</u>	<u>39,431</u>	<u>(340,721)</u>	<u>41,022</u>

The net loss from ordinary activities attributable to shareholders of the company dealt with in the financial statements of the year was HK\$13,980,000 (2004: HK\$17,033,000).

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 GROUP CASH FLOW STATEMENT

Changes in working capital	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Decrease (Increase) in inventories	13,036	(7,473)
Decrease in accounts and bills receivable	3,368	8,508
Decrease (Increase) in prepayments, deposits and other receivables	(7,831)	11,799
Decrease in accounts and bills payables	(11,781)	(6,111)
Decrease in accrued liabilities and other payables	<u>(25,053)</u>	<u>(16,324)</u>
	<u>(28,261)</u>	<u>(9,601)</u>

32. BUSINESS COMBINATION

In September 2005, the Group acquired 100% of the share capital of Acacia BVI which in turn holds 100% of Acacia SH. The relevant information about the acquisition are as follows:

	2005 HK\$'000	2004 HK\$'000
(a) Contribution to the Group for the 3 months ended 31 December 2005:		
Revenue	<u>523</u>	<u>–</u>
Net profit before tax	<u>141</u>	<u>–</u>

If the acquisition had occurred on 1 January, 2005, financial information of continuing operations of the Group would have been:

	2005 HK\$'000	2004 HK\$'000
Group revenue	<u>130,277</u>	<u>–</u>
Group loss before tax	<u>(12,056)</u>	<u>–</u>

	2005 HK\$'000	2004 HK\$'000
(b) Detail of net assets acquired and goodwill:		
Total purchase consideration discharged by:		
– Cash	6,500	–
– Fair value of the 54,621,849 shares of the Company issued based on published price	<u>6,500</u>	<u>–</u>
Total consideration of the acquisition	13,000	–
Transaction costs		
– legal expenses	<u>187</u>	<u>–</u>
	13,187	–
Less: Fair value of net assets acquired shown below	(187)	–
Loan acquired	<u>(228)</u>	<u>–</u>
Goodwill	<u>12,772</u>	<u>–</u>

The factors that contribute to the recognition of the goodwill include profit guarantees made by the vender of Acacia BVI, minimal competition in the emerging markets of property agency's data base management/database portal and potential of growth in the property market in Mainland China.

(c) The net assets on the date of acquisitions in September 2005 were as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Assets		
Equipment	65	65
Accounts receivable	510	510
Other current assets	49	49
Cash and cash equivalents	550	550
	<u>1,174</u>	<u>1,174</u>
Liabilities		
Amount due to related companies	355	355
Other payables	632	632
	<u>987</u>	<u>987</u>
Net assets acquired	<u>187</u>	<u>187</u>
(d) Purchase consideration	13,000	–
Less: Amount satisfied by the Company's share	(6,500)	–
Loan due to the seller assigned	(228)	–
	<u>6,272</u>	<u>–</u>
Purchase consideration, net	6,272	–
Add: Transaction costs	187	–
Less: Cash and cash equivalents in the subsidiary acquired	(550)	–
	<u>5,909</u>	<u>–</u>
Net cash outflow on acquisition	<u>5,909</u>	<u>–</u>

33. DISCONTINUED OPERATION

In November 2005, the Group sold its holding of the 55% of the share capital of 北京先進數通信息技術有限公司 (Beijing Advanced Digital Information Technology Company Limited). The relevant information about the sale are:

	2005 HK\$'000	2004 HK\$'000
(a) Cash flow information:		
Disposal consideration:		
– Cash received	24,977	–
– Direct costs relating to the disposal	(602)	–
	<u>24,375</u>	–
– Amount of cash and cash equivalents in the subsidiary disposed of:	<u>(21,052)</u>	–
– Net cash received	<u>3,323</u>	–
– Amount of non-cash net assets (liabilities) disposed of:		
– Non-current assets	2,160	–
– Current assets	77,459	–
– Current liabilities	(78,114)	–
	<u>1,505</u>	–
(b) Loss for the year from discontinued operation:		
Post-tax loss from operation (Note 33(b)(1))	5,637	–
Loss on disposal of the discontinued operation (Note 33(b)(2))	<u>22,213</u>	–
	<u>27,850</u>	–

(b(1)) Analysis of result of the discontinued operation during the year

	2005 HK\$'000	2004 HK\$'000
Revenue		
– Sales of goods	70,468	–
– Rendering of computer technology services	25,756	–
	<u>96,224</u>	<u>–</u>
<i>Less:</i> Cost of sales	(87,999)	–
	<u>8,225</u>	<u>–</u>
Gross profit		
Other income	47	–
Selling and distribution expenses	(3,378)	–
Administrative expenses	(8,707)	–
Other operating expenses	(811)	–
	<u>(4,624)</u>	<u>–</u>
Loss from operating activities		
Finance costs	(273)	–
	<u>(4,897)</u>	<u>–</u>
Loss before tax		
Income tax expense	(740)	–
	<u>(5,637)</u>	<u>–</u>

(b(2)) Loss on disposal of the discontinued operation

	2005 HK\$'000	2004 HK\$'000
Sale proceeds	24,977	–
Waiver by the buyer of an amount due by the Group	18,615	–
	<u>43,592</u>	<u>–</u>
<i>Less:</i> Net asset value	(22,557)	–
Goodwill at the date of purchase of the discontinued operation (<i>Note 15</i>)	(42,646)	–
Transaction costs	(602)	–
	<u>(22,213)</u>	<u>–</u>

(c) Net cashflow of the discontinued operation

Net cashflow attributable to:

	2005 HK\$'000	2004 HK\$'000
– operating activities	(14,150)	–
– investing activities	(749)	–
– financing activities	360	–
	<u>(14,539)</u>	<u>–</u>

34. COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from half 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 date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	1,046	1,958
In the second to fifth years, inclusive	837	476
	<u>1,883</u>	<u>2,434</u>

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

35. CONTINGENT LIABILITIES

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

Company and Group

	2005 HK\$'000	2004 HK\$'000
Guarantees given by the Company to banks in connection with banking facilities granted to certain subsidiaries	<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.

36. RELATED PARTY TRANSACTIONS

Ownership of the company's shares are widely held. The directors consider Venture International Investment Holdings Limited (formerly known as "Technology Venture Holdings Limited") (incorporated in Bermuda) to be the ultimate parent of the Group.

The following transactions were carried out with related parties:

	2005 HK\$'000	2004 HK\$'000
(i) Sales of services and provision of credit to related companies		
(a) Management services provided to a significant investee group (<i>Note 36(2)</i>)	–	124
(b) Lending to a significant investee company – interest received	–	227
(c) Management services to a company controlled by a director	–	162
(d) Management services to an unlisted company classified as an available-for-sale investee Company (<i>Note (17)</i>)	309	–
(e) Provision of management services of two directors to an investee company – reimbursement of their remuneration	567	756

The service and interest charges are based on market rates.

	2005 HK\$'000	2004 HK\$'000
(ii) Purchases from related companies		
Maintenance and consultancy services provided by a company controlled by a director	221	364
The charges are based on market rate of the service.		
(iii) Key management compensation		
(a) Short term employee benefit – salaries and contribution to defined contribution plan	6,636	6,788
(iv) Amounts of outstanding balances due by (due to) the following related parties:		
(a) Arising from sales of good/services – an unlisted company classified as an available-for-sale investee company (<i>Note 36(3)</i>)	156	–
	–	–
(b) In the form of current accounts – a significant investee group (<i>Note 36(3)</i>)	(402)	23,045
– an investee company classified as an available-for-sale investee company (<i>Note 36(3)</i>)	265	–
– a company of which a certain director of the Company is a director (<i>Note (3)</i>)	70	–

	2005 HK\$'000	2004 HK\$'000
(v) Loans to related parties		
Balance at beginning of the year	–	6,000
Loans advanced during the year	–	2,600
Loans repayments	–	8,600
Interest received	–	227
Balance at end of the year	<u>–</u>	<u>–</u>

Notes:

- (1) 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.
- (2) The significant investee group is the CCT Group of which China Cast Communication Holdings Limited (“CCH”) is the holding company, which shares are listed on the stock exchange of Singapore. TVH Group holds approximately 14.96% of the share capital of CCH.
- (3) The balances are unsecured and without a fixed term of repayment.

37. EVENTS AFTER THE BALANCE SHEET DATE

Technology Venture Investments Limited, a wholly owned subsidiary of the Company, entered into an agreement on 10 February 2006 to acquire 100% of the issued capital of Grand Panorama Limited at a total consideration of HK\$30,000,000.

(C) INDEBTEDNESS STATEMENT

As at 31 December 2006, the Group had total outstanding borrowings of approximately HK\$1,000, comprising unsecured bank overdraft.

Save as aforesaid and apart from intra-group liabilities, as at 31 December 2006 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.

(D) 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.

(E) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is now evolving into an investment company to focus on the property agency market in China, and also to grow its existing self servicing banking products and solutions business. Following a series of business realignment, the imminent task is to ensure an efficient integration of Acacia BVI into the core revenue generating streams of the Group and to bring more favorable yields to shareholders.

TopAsia Computer Limited (“TopAsia”) will continue to build on its solid fundamentals to secure more customers and orders and to control costs to improve profitability. Proven cooperation with essential suppliers NCR and Diebold will continue to thrive to provide automatic banking equipment to banking and finance institutions and postal bureaus. The most immediate focus now is to ensure a successful bid in CMB’s annual tender for ATMs and ADMs.

TopAsia sees tremendous development potential in the data management and warehousing area and will continue to build up more successful customer portfolios to capitalize on the growing need for efficient information management.

The completion of the acquisition of Grand Panorama in August 2006 gave the Group a headstart in the PRC market for professional real estate services. The real estate services market in the PRC is still at a developing stage.

Through the acquisition, the Group is able to secure a team of professional and experienced key staff with first-hand knowledge in the real estate brokerage business of the PRC. With the retaining of key management, the Group is confident of a smooth transition in the operation of Grand Panorama and looks forward to achieving synergies from the the unit’s future collaborations with the Group’s other business divisions and will be a key player of the Group together with TopAsia.

(F) MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF GRAND PANORAMA

There are two teams in Conity Investment & Consultants (Shanghai) Co., Ltd. (“Conity”), the Residential Department and Non-residential (Commercial) Department.

Since the introduction of a series of control on overheated economy in property market since May 2006, the property market has been cooled down. The number of buyer of property decreased substantially leaving mainly those customers looking for leasing of property. Accordingly, revenue has been reduced substantially as compared with 2005. Revenue in 2006 up to September is only \$7,000,000. Since most of the cost is fixed, namely rental of shop, staff cost, and are not reduced immediately in the same proportion with revenue. As a result, the loss for the nine months accumulated to \$3,330,000.

To overcome the situation, a series of cost cutting program are in place. This include the termination of non-profit making branch, re-structuring of headcount amongst various branch, redundancy of highest paid employee, re-structuring of salary package system. Although the monthly revenue for the last quarter of 2006 is only around \$600,000, the monthly loss was reduced from \$700,000 in the third quarter to approximately \$500,000 in October 2006 and further reduced to \$300,000 in November 2006.

The majority of the current customers concentrate on leasing with average monthly rental of RMB15,000.00. There is increase in new customers while the existing customers will also looking for Conity upon renewal of existing tenancy.

Looking forward, Grand Panorama will concentrate the business in Non-residential Department so as to reduce the effect brought by any future governmental control.

Investment in Conity

The principal business activity of Grand Panorama is real estate property agency through Conity, its sole and wholly owned subsidiary.

Liquidity and financial resources*Net Assets*

As at 30 September 2006, Grand Panorama recorded total assets of approximately HK\$2,841,293 which were financed by liabilities of approximately HK\$5,087,853 causing a negative equity of approximately HK\$2,246,560 which made up a negative net asset value as at 30 September 2006 was a negative figure of HK\$2,246,560.

Liquidity

Grand Panorama had total cash and bank balances of approximately HK\$149,745 as at 30 September 2006. The current ratio was 0.32 and there was no gearing ratio because Grand Panorama did not raise any bank or other interest-bearing loans.

Charges on assets

As at 30 September 2006, none of the assets of Grand Panorama was pledged.

Treasury policies

Grand Panorama generally finances its operations with internally generated resources and resources from related companies. There is no borrowing from bank or finance institution.

Foreign exchange exposure

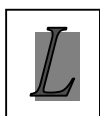
Grand Panorama mainly earns revenue and incurs costs in Renminbi. Since there is a trend in appreciation in Renminbi, foreign exchange risk is remote.

Capital structure

The initial capital is US\$140,000 (equivalent to approximately HK\$1,092,000) which had been remitted to the PRC for funding of Grand Panorama and its subsidiary.

Employee and remuneration policies

As at 30 September 2006, Grand Panorama employed approximately 139 full time staff in China. Employees are remunerated based on their performance, work experience and the prevailing market rate. Performance related bonuses are granted on discretionary basis. Other employee benefits include mandatory social welfare fund, insurance and training programs.

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富勤**富勤會計師有限公司**

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德輔道中，161-167 號，
香港貿易中心，3 樓

30 January 2007

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

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information of Grand Panorama Limited (“Grand Panorama”), and its subsidiary, Conity Investment & Consultants (Shanghai) Co., Ltd. (“Conity”) (together “the GP Group”) for the period from 6 December 2005 to 30 September 2006 (“the Relevant Period”), which comprise the balance sheet as at 30 September 2006, and the income statement, statement of changes in equity and cash flow statement for the 9 months then ended, and a summary of significant accounting policies and other explanatory notes.

This report is for inclusion in the circular to shareholders of Venture International Investment Holdings Limited (the “Circular”) in connection with the extension of the time for fulfillment of the Profit Guarantees as more fully discussed in the Letter from the Board included in the same Circular.

Grand Panorama became a wholly owned subsidiary of Technology Venture Investments Limited, a subsidiary of Venture International Investment Holdings Limited, on 1 August 2006.

Grand Panorama was incorporated in British Virgin Islands on 6 December 2005 and Conity was incorporated in Shanghai on 20 July 2005. On 31 December 2005, Conity agreed with Bonity Property Group (Shanghai) Co., Ltd. (“Bonity”) to acquire from the latter the businesses of its Residential Department and Non-residential (Commercial) Department (“the 2 Departments”). This agreement was completed on 13 March 2006. Bonity was engaged in the provision of property consulting agency services in Shanghai.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors are responsible for the preparation and the true and fair presentation of these financial information in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE REPORTING ACCOUNTANTS

Our responsibility is to express an opinion on these financial information based on our audit. We do not assume responsibility towards or accept liability to any other person for the content of the report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial information are free from material misstatement.

Our work involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BASIS OF PRESENTATION AND OPINION

For the purpose of this report, we have examined the consolidated financial statements of the GP Group for the Relevant Period and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

THE GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 19 of this report which indicates that the GP Group incurred a net loss of HK\$3,330,560 during the Relevant Period and, as of that date, the GP Group's total liabilities exceeded its total assets by HK\$2,246,560. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the GP Group's ability to continue as a going concern.

According to the business plan and the budget, the GP Group is expected to become profitable in 2007 when Conity is forecasted to commence generating positive cashflow. The Directors have obtained an undertaking from Venture International Investment Holdings Limited to provide financial support to the GP Group in its operation in 2007. Accordingly, the directors of Grand Panorama prepare the consolidated financial statements on a going concern basis and do not include any adjustments that would result from a failure to obtain such support.

Our opinion on the financial information is based on the assumption that the above-mentioned future funding support is available. We consider that the matter has been adequately disclosed and our opinion is not qualified in this respect.

OPINION

In our opinion, the financial information, for the purpose of this report and on the above bases, has incorporated all adjustments considered necessary and show a true and fair view of the consolidated state of affairs of the GP Group as at 30 September 2006 and its consolidated results and cash flows for the Relevant Period.

Consolidated Income Statement for the period from 1 January 2006 to 30 September 2006

		1 January 2006 to 30 September 2006	6 December 2005 to 31 December 2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	5	5,373,192	–
Cost of services		<u>(3,639,859)</u>	<u>–</u>
Gross profit		1,733,333	–
Other income	5	3,417	–
Selling and marketing expenses		(472,572)	–
Administrative expenses		(3,871,983)	(8,000)
Other expenses		<u>(722,755)</u>	<u>–</u>
Operating loss	6	(3,330,560)	(8,000)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(3,330,560)</u></u>	<u><u>(8,000)</u></u>

Consolidated Balance Sheet as at 30 September 2006

		30 September 2006 HK\$	31 December 2005 HK\$
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	8	704,897	–
Intangible assets	9	511,399	–
		<u>1,216,296</u>	<u>–</u>
Current assets			
Trade receivable	10	944,317	–
Prepayments, deposits and other receivables		530,935	1,092,000
Cash and cash equivalents	11	149,745	–
		<u>1,624,997</u>	<u>1,092,000</u>
Total assets		<u>2,841,293</u>	<u>1,092,000</u>
Current liabilities			
Trade payable	12	451,452	–
Amount due to related company	13	268,835	–
Accrued liabilities and other payables		4,367,566	8,000
		<u>5,087,853</u>	<u>8,000</u>
Net current (liabilities) assets		<u>(3,462,856)</u>	<u>1,084,000</u>
Total assets less current (liabilities) assets		<u>(2,246,560)</u>	<u>1,084,000</u>
Capital and reserves			
Share capital	14	81,206	81,206
Reserves		(2,327,766)	1,002,794
(Net Liabilities) Total equity		<u>(2,246,560)</u>	<u>1,084,000</u>

Consolidated Statement of Changes in Equity for the period from 1 January 2006
to 30 September 2006

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2005	–	–	–	–
Issue of capital	81,206	–	–	81,206
Share premium	–	1,010,794	–	1,010,794
Loss for the period	–	–	(8,000)	(8,000)
At 31 December 2005	81,206	1,010,794	(8,000)	1,084,000
Loss for the period	–	–	(3,330,560)	(3,330,560)
At 30 September 2006	<u>81,206</u>	<u>1,010,794</u>	<u>(3,338,560)</u>	<u>(2,246,560)</u>

Consolidated Cash Flow Statement for the period from 1 January 2006 to 30 September 2006

	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$
Operating activities		
Loss before tax	(3,330,560)	(8,000)
Adjustments for:		
Bank interest income	(3,417)	–
Depreciation	133,134	–
Loss on disposal of fixed assets, net	74,323	–
Provision for doubtful debts	647,710	–
	<hr/>	<hr/>
Operating loss before changes in working capital	(2,478,810)	(8,000)
Increase in trade receivable	(223,859)	–
Decrease (Increase) in prepayment and other receivables	967,416	(1,092,000)
Increase in trade payable	5,677	–
Increase in amount due to related company	268,835	–
Increase in accrued liabilities and other payables	3,016,997	8,000
	<hr/>	<hr/>
Cash generated from (used in) operations	4,035,066	(1,084,000)
Net cash inflow (outflow) from operating activities	1,556,256	(1,092,000)
	-----	-----
Investing activities		
Purchases of fixed assets	(330,535)	–
Acquisition of subsidiary, net of cash acquired	(1,065,837)	–
Bank interest received	3,417	–
Effect of changes in foreign exchange rate	(13,556)	–
	<hr/>	<hr/>
Net cash outflow from investing activities	(1,406,511)	–
	-----	-----
Financing activities		
Proceeds from issue of capital	–	1,092,000
	<hr/>	<hr/>
Net cash inflow from financing activities	–	1,092,000
	-----	-----
Net increase in cash	149,745	–
Cash and cash equivalents at beginning of the period	–	–
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	149,745	–
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash at end of the period		
Cash and bank balances	149,745	–
	<hr/> <hr/>	<hr/> <hr/>

Balance Sheet as at 30 September 2006

		30 September	31 December
		2006	2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Investment in a subsidiary	15	1,092,000	1,092,000
Current assets			
Amounts due from related companies		4,891	–
Total assets		<u>1,096,891</u>	<u>1,092,000</u>
Current liabilities			
Accrued liabilities and other payables		15,000	8,000
Net current liabilities		<u>(10,109)</u>	<u>(8,000)</u>
Total assets less current liabilities		<u><u>1,081,891</u></u>	<u><u>1,084,000</u></u>
Capital and reserves			
Share capital	14	81,206	81,206
Reserves		1,000,685	1,002,794
Total equity		<u><u>1,081,891</u></u>	<u><u>1,084,000</u></u>

Notes to the financial information

1. CORPORATE INFORMATION

Grand Panorama is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Conity is a company established on 20 July 2005 as a wholly foreign-owned enterprise under the Law of the People's Republic of China ("PRC") on Enterprises Operated Exclusively with Foreign Capital. The main business of the GP Group was provision of property consulting agency services in the PRC.

These financial statements are presented in units of Hong Kong dollars (HK\$). These financial statements have been approved for issue by the Board of Directors on 30 January 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention.

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

The Company adopts the standards and interpretations of HKFRS in the compilation of its financial statements in 2005. New HKFRSs issued but not yet effective are not adopted. These HKFRSs, if adopted, will not result in substantial changes to the Company's accounting policies.

2.2 Consolidation

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

Subsidiaries are entities over which the GP 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 GP Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the GP 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 GP 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 GP 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 GP 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 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong dollar ("HK\$"), which is the Company's functional and presentation currency.

(ii) *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.

(iii) *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:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) 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
- (c) all resulting exchange differences are recognized as a separate component of equity except that net exchange loss is recognized in profit or loss.

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.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. 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 GP 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 over their estimated useful lives, as follows:

- Office equipment	5 years
- Leasehold improvement	3 years

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.

Gain and losses on disposals of assets are determined by comparing proceeds with carrying amount and are included in the income statement.

2.5 Intangible assets

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 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.

2.6 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization but are tested annually for impairment. They are also 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.7 Financial instruments

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

Financial assets

- (i) Trade receivables, deposits, other receivables and prepayments

The assets are recognized and carried at original amounts. 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 carrying amount of the asset and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- (ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and held with banks.

Financial liabilities

Trade payable, accrued expenses and other payable are recognized and carried at fair value.

2.8 Employee benefits

Employee retirement benefits in the form of contributions to the relevant authorities under defined contribution retirement plans are charged to the income statement as and when incurred.

Employees are required to participate in a central pension scheme operated by the local municipal government. Conity is required to contribute at the statutory rate of its payroll costs to the scheme.

Provisions are recognized when there is 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 is 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.

2.9 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following basis:

- (a) Revenue from rendering of property agency services, when the service are rendered and agreed by the contract parties, which generally coincides with the time when provisional sale and purchase agreements or tenancy agreements are signed;
- (b) Interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

2.10 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.

2.11 Income tax

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

The amount of deferred tax recognized 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 recognized when there is uncertainty about whether sufficient taxable profit will be made in the future to allow the related tax benefit to be utilised.

2.12 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements, if any. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain event not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements, if any, when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognized.

3. FINANCIAL RISK MANAGEMENT

The GP Group's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

(i) Interest rate risk

The GP Group's income and operating cash flows are substantially independent of changes in market interest rates as the GP Group has no significant interest-bearing assets or liabilities. The GP Group's exposure to changes in interest rates is mainly attributable to sensitivity of its customers to interest rate fluctuations.

(ii) Credit risk

The GP Group has no significant concentrations of credit risk. It also has policies in place to ensure that the services are provided to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

(iii) Liquidity risk

The GP Group manages the risk of funding problem by maintaining sufficient cash and obtaining support from the ultimate parent company to deal with operational needs.

(iv) Fair value estimation of financial assets and liabilities

The carrying amounts of the GP Group's financial assets and financial liabilities approximate their fair values due to their short maturities.

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.

The GP Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relates to collectibility of commission incomes and the related provision for doubtful debts.

The GP Group makes provision for doubtful debts based on an assessment of the recoverability of commission receivable. Provisions are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of accounts receivable and other receivables and the doubtful debt expenses in the years in which such estimates have been changed.

5. REVENUE AND OTHER INCOME

Revenue recognized during the year are as follows:

	Group		Company	
	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$
Revenue				
Property agency service fees	5,373,192	-	-	-
Other income				
Interest income	3,417	-	2,975	-
	<u>5,376,609</u>	<u>-</u>	<u>2,975</u>	<u>-</u>

The GP Group is principally engaged in the business segment of property agency, and most of its operations and assets are located in Shanghai. Less than 1% of the GP Group's turnover and contribution to operation is attributable to other activities.

6. OPERATING LOSS

The operating loss is arrived at after charging (crediting):

	Group		Company	
	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$
Direct cost of agency services	3,639,859	–	–	–
Depreciation	133,134	–	–	–
Incorporation expenses	–	8,000	–	8,000
Loss on disposal of equipments	74,323	–	–	–
Operating lease expenses	1,347,474	–	–	–
Provision for doubtful debts	647,710	–	–	–
Staff costs, excluding directors' remuneration:				
– Salaries	1,258,576	–	–	–
– Payments to defined benefit plans in Mainland China	48,347	–	–	–
– Other welfare and benefits	222,480	–	–	–
Interest income	<u>(3,417)</u>	<u>–</u>	<u>(2,975)</u>	<u>–</u>

7. INCOME TAX EXPENSE

Group

Conity, which is the only potential tax payer of the GP Group, is subject to Enterprise Income Tax ("EIT") at 33% during the period. Conity incurred losses for the purpose of PRC generally accepted accounting principles ("PRC GAAP") and tax rules; accordingly, no provision for income tax has been made (2005: nil).

A reconciliation of the theoretical tax expense applicable to loss before tax using the statutory rate to the actual tax expense shown in the income statement is as follows:

	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$
Loss before tax	<u>3,330,560</u>	<u>–</u>
Tax at statutory rate of 33%	1,099,085	–
Tax asset not deemed to be recoverable	<u>(1,099,085)</u>	<u>–</u>
Tax expense	<u>–</u>	<u>–</u>

Company

The Company was incorporated in the British Virgin Islands under the International Business Companies Acts and is exempted from payment of income tax in the British Virgin Islands.

8. PROPERTY, PLANT AND EQUIPMENT

Group

	Office equipment HK\$	Leasehold improvement HK\$	Total HK\$
Cost:			
At 1 January 2006	–	–	–
Additions	57,769	272,766	330,535
Acquisition of a subsidiary	571,927	–	571,927
Disposals/write-off	(23,596)	(60,534)	(84,130)
Exchange differences	11,885	4,160	16,045
	<u>617,985</u>	<u>216,392</u>	<u>834,377</u>
At 30 September 2006	----- 617,985	----- 216,392	----- 834,377
Accumulated depreciation:			
At 1 January 2006	–	–	–
Provided during the year	88,548	44,586	133,134
Acquisition of a subsidiary	3,663	–	3,663
Disposals/write-off	(1,287)	(8,520)	(9,807)
Exchange differences	1,783	707	2,490
	<u>92,707</u>	<u>36,773</u>	<u>129,480</u>
At 30 September 2006	----- 92,707	----- 36,773	----- 129,480
Net book value:			
At 30 September 2006	<u>525,278</u>	<u>179,619</u>	<u>704,897</u>
At 31 December 2005	<u>–</u>	<u>–</u>	<u>–</u>

9. INTANGIBLE ASSETS

Group

	Goodwill HK\$	Total HK\$
Cost:		
At 1 January 2006	–	–
Acquisition of a subsidiary	511,399	511,399
At 30 September 2006	<u>511,399</u>	<u>511,399</u>
	----- 511,399	----- 511,399
Accumulated amortisation:		
At 1 January 2006	–	–
Provided during the year	–	–
At 30 September 2006	<u>–</u>	<u>–</u>
	----- –	----- –
Net book value:		
At 30 September 2006	<u>511,399</u>	<u>511,399</u>
At 31 December 2005	<u>–</u>	<u>–</u>

10. TRADE RECEIVABLE

Group

	30 September 2006 HK\$	31 December 2005 HK\$
Commission receivable, gross	1,676,734	–
Less: Provision for doubtful debts	<u>(732,417)</u>	<u>–</u>
Commission receivable, net	<u>944,317</u>	<u>–</u>

The aging analysis of the commission receivable at the balance sheet date is as follows:

	30 September 2006 HK\$	31 December 2005 HK\$
0 to 30 days	382,449	–
31 days to 60 days	280,186	–
61 days to 90 days	230,760	–
Over 90 days	<u>783,339</u>	<u>–</u>
Commission receivable, gross	<u>1,676,734</u>	<u>–</u>

Customers are given a credit period of 2 months from the date of the property transaction to settle the commission.

11. CASH AND CASH EQUIVALENTS

Group

	30 September 2006 HK\$	31 December 2005 HK\$
Cash in hand	7,329	–
Cash at bank	<u>142,416</u>	<u>–</u>
Cash and bank balances	<u>149,745</u>	<u>–</u>

12. TRADE PAYABLE

Group

	30 September 2006 HK\$	31 December 2005 HK\$
Commission payable	<u>451,452</u>	<u>–</u>

The commission is payable to employees of Conity for business contracted at a range of 0.6% – 35% of the commission income.

The aging analysis of the balance of commission payable at the balance sheet date is as follows:

	30 September 2006 HK\$	31 December 2005 HK\$
0 to 30 days	101,406	–
31 days to 60 days	158,294	–
61 days to 90 days	191,752	–
Commission payable	<u>451,452</u>	<u>–</u>

The commission is payable when the related service income is received.

13. RELATED PARTY TRANSACTION

Group

Grand Panorama is a wholly owned subsidiary of Venture International Investment Holdings Limited.

	1 January 2006 to 30 September 2006 HK\$	6 December 2005 to 31 December 2005 HK\$
(i) Fee paid on information technology management and support services provided by Acacia Asia Partners Limited (“Acacia SH”)	<u>289,951</u>	<u>–</u>
	HK\$	HK\$
(ii) Balance due to Acacia BVI	<u>(273,726)</u>	<u>–</u>
Balance due from Technology Venture Investments Limited	<u>4,891</u>	<u>–</u>

Acacia BVI is a subsidiary of Venture International Investment Holdings Limited.

14. SHARE CAPITAL

Company

	Number of shares in issue	30 September 2006 HK\$	31 December 2005 HK\$
Authorised and issued	<u>10,411</u>	<u>81,206</u>	<u>81,206</u>

15. INVESTMENT IN A SUBSIDIARY

Company

	30 September 2006 HK\$	31 December 2005 HK\$
Unlisted investment, at cost	<u>1,092,000</u>	<u>1,092,000</u>

At the date of this Report, Grand Panorama has interest in the following subsidiary:

Company held directly	Place of registration and operation	Nominal value of registered capital	Principal activities
Conity Investment & Consultants (Shanghai) Co., Ltd.	Mainland China	US\$140,000	Property consulting agency services

16. REMUNERATION OF DIRECTORS

During the period, no amounts have been paid in respect of directors' emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office (2005: Nil).

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

17. COMMITMENTS

Group

Operating lease commitments

Future minimum commitments payable under non-cancellable operating leases for buildings are as follows:

	30 September 2006 HK\$	31 December 2005 HK\$
Within one year	1,798,623	6,759,676
In the second to fifth years, inclusive	3,138,831	9,388,788
	<u>4,937,454</u>	<u>16,148,464</u>

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

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

18. PENSION CONTRIBUTION

In accordance with the relevant regulations in Mainland China, Conity is required to contribute retirement benefits to the local social security bureau for its employees. The contributions are calculated based on the statutory required rate of the salaries of existing employees.

19. GOING CONCERN

There is a material uncertainty on whether the GP Group is able to continue in operation as it incurred a loss during the Relevant Period and total liabilities exceeded total assets as at the end of the Period. Management has put into effect action to cut costs and maintain competitiveness. Losses for the months in October 2006 and November 2006 have been reduced. The directors have obtained undertaking from Venture International Investment Holdings Limited to provide financial support in its operation in 2007.

20. FINANCIAL INFORMATION OF GRAND PANORAMA

Grand Panorama did not have revenue during 2005 and 2006. Losses attributable to Grand Panorama for the two years are HK\$8,000 and HK\$2,109 respectively.

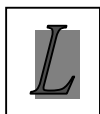
21. EVENT AFTER THE BALANCE SHEET DATE

Previously, Mr. Samuel Lin Jr. has guaranteed to Technology Venture Investments Limited that the audited profits before tax of the GP Group for the financial years ended 31 December 2006 and 2007 shall not be less than RMB4,000,000 and RMB6,000,000 respectively.

On 17 November 2006, Technology Venture Investments Limited entered into an agreement (the Supplemental Agreement) with the former shareholders of Grand Panorama and Mr. Samuel Lin Jr. as Guarantor to extend the time for fulfillment of the above Profit Guarantees for one year from 2006 and 2007 to 2007 and 2008 respectively.

Your truly,
Lawrence CPA Limited

Hong Kong

**Lawrence 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 January 2007

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

Dear Sirs,

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

We report on the unaudited pro forma financial information of Venture International Investment Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out in the Company’s circular (the “Circular”) in connection with the extension of the time for the fulfilment of the Profits Guarantees (“Extension”) as more fully discussed in the Letter from the Board contained in the Circular, 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 Extension might have affected the relevant financial information of the Group as at 31 December 2005.

RESPONSIBILITIES

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 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 in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Report on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. 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 of the Group as at 31 December 2005, or at any future dates.

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 CPA Ltd

Hong Kong

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE GROUP

The unaudited pro forma consolidated balance sheet of the Group presented below has been prepared based on the latest annual published audited consolidated balance sheet of the Group as at 31 December 2005 and adjusted to illustrate the effect of the Acquisition.

For the purpose of presenting the unaudited pro forma consolidated balance sheet of the Group as at 31 December 2005, it has been assumed that the Acquisition took place on 31 December 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 31 December 2005 or at any future dates.

The information of Grand Panorama is derived from the most recent accountants' report on it for the 9 months from 1 January 2006 to 30 September 2006.

	The Group HK\$'000 (Note 1)	Grand Panorama HK\$'000 (Note 2, 3)	Adjustments HK\$'000	Note	Pro forma HK\$'000
Non-Current Assets					
Fixed assets	1,916	705			2,621
Deferred development costs	12,772	–			12,772
Goodwill	–	511	32,107	4, 8	32,618
Available-for-sale investments	91,700	–			91,700
	<u>106,388</u>	<u>1,216</u>			<u>139,711</u>
Current assets					
Inventories	3,444	–			3,444
Trade receivable	24,718	–			24,718
Commission receivable	–	944			944
Prepayments, deposits and other receivables	16,006	531			16,537
Pledged time deposits	139	–			139
Cash and bank balances	52,173	150	(19,248)	5	33,075
	<u>96,480</u>	<u>1,625</u>			<u>78,857</u>

APPENDIX III

PRO FORMA FINANCIAL INFORMATION
OF THE GROUP

	The Group HK\$'000 (Note 1)	Grand Panorama HK\$'000 (Note 2, 3)	Adjustments HK\$'000	Note	Pro forma HK\$'000
Current liabilities					
Trade and bills payable	2,002	–			2,002
Tax payable	8,993	–			8,993
Commission payable	–	451			451
Accrued expenses and other payables	35,525	4,368			39,893
Amounts due to a related company	–	269			269
Secured bank loans	626	–			626
Current portion of obligation under finance lease	203	–			203
	<u>47,349</u>	<u>5,088</u>			<u>52,437</u>
Net current assets/(liabilities)	<u>49,131</u>	<u>(3,463)</u>			<u>26,420</u>
Total assets less current liabilities	<u>155,519</u>	<u>(2,247)</u>			<u>166,131</u>
Non-current liabilities					
Obligation under finance lease	51	–			51
Deferred tax	159	–			159
	<u>210</u>	<u>–</u>			<u>210</u>
	<u>155,309</u>	<u>(2,247)</u>			<u>165,921</u>
Equity attributable to equity holders of the parent:					
Share capital	55,735	81	11,765	6	
			(81)	7	67,500
Share premium	–	1,011	235	6	
			(1,011)	7	235
Accumulated losses	(253,341)	(3,339)	1,951	7	(254,729)
Other reserves	352,915	–			352,915
	<u>155,309</u>	<u>(2,247)</u>			<u>165,921</u>

Notes to the unaudited pro forma Consolidated Balance Sheet

- The audited financial figures are extracted from the 2005 consolidated financial statements of the Group.
- The financial figures are the consolidated financial statements of Grand Panorama and Conity Investment & Consultants (Shanghai) Co., Ltd. ("Conity") as at 30 September 2006.
- The financial information are translated from renminbi ("RMB") at the exchange rate of HK\$1.00 to RMB1.02.
- The amount represents goodwill arising on the acquisition of the share capital of Grand Panorama.

The amount is arrived at as follows:

	<i>HK\$'000</i>
Consideration for the purchase of Grand Panorama	30,000
Transaction costs	1,248
	<hr/>
	31,248
<i>Add: Fair value of net liabilities of Grand Panorama</i>	
– Capital	(81)
– Share Premium	(1,011)
– Accumulated losses	1,951
	<hr/>
Amount of goodwill	<u><u>32,107</u></u>

- The amount represents the sum of the cash portion of the purchase consideration of HK\$18,000,000 and the transaction costs of HK\$1,247,517.
- The amount represents the value of new shares of the Company of HK\$12,000,000 issued and allotted as part of the consideration for the Acquisition.

The amount of HK\$235,000 is share premium on the allotment and issue of the Consideration Shares. The value of HK\$12,000,000 of the 117,647,059 Consideration Shares issued by the Company for the Acquisition consists of the followings:

	<i>HK\$'000</i>
Ordinary shares	11,765
Share premium	235
	<hr/>
	<u><u>12,000</u></u>

- The amount represents elimination of the capital and pre-acquisition reserves of Grand Panorama in the compilation of the consolidated Group financial statements.
- No impairment loss is provided by the directors because of positive future cash projection and the revised profit guarantees made by the Guarantor, Mr. Samuel Lin, of HK\$4,000,000 and HK\$6,000,000 for the financial years ended 31 December 2007 and 31 December 2008 respectively.

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	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Chan Tze Ngon	Beneficial owner	125,542,000	Long	18.60%
Name of Directors	Nature of interest	No. of underlying Shares	No. of share options	Position
Mr. Benedict Tai (note)	Beneficial owner	600,000	600,000	Long
Mr. Fu Yan Yan (note)	Beneficial owner	600,000	600,000	Long
Ms. Wang Xi Ling (note)	Beneficial owner	600,000	600,000	Long

Note: These options were granted under the share option scheme adopted by the Company and entitle the holders thereof to subscribe for Shares at an exercise price of HK\$0.15 per Share.

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 shares of associated corporations of the Company

Name of subsidiary	Name of entity	Class and no. of securities	Percentage shareholdings
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.

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. EXPERT AND CONSENT

The following are the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Lawrence CPA Limited	Certified public accountants

Lawrence CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Lawrence CPA Limited:

- (a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited accounts of the Company were made up; and
- (b) did not have any shareholding interests 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

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 2005, being the date to which the latest published audited financial statements of the Group was made up.

After performing all reasonable due diligence work which the Directors consider appropriate, the Directors are not aware of material adverse change in the financial position of Grand Panorama since 30 September 2006, and there is no event since 30 September 2006 which would materially affect the information as shown in the accountants' report of Grand Panorama.

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. SHARE CAPITAL

HK\$

Authorised:

1,000,000,000 Shares	100,000,000
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Issued and to be issued, fully paid or credited as fully paid:

674,998,552 Shares in issue as at the Latest Practicable Date	67,499,855
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9. 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 19 August 2005 and entered into between Li Yiu Wai and the Group for the acquisition of the entire issued share capital of and the shareholder's loan due from Acacia Asia Partners Limited at a total consideration of HK\$13 million;
- (ii) the irrevocable letter of undertaking dated 13 September 2005 and the irrevocable renewed letter of undertaking dated 13 July 2006 in relation to, among other matters, the disposal of approximately 14.96% of the issued share capital of ChinaCast Communication Holdings Limited;
- (iii) 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);

- (iv) the sale and purchase agreement dated 30 September 2005 and entered into between Aryalin Associates Limited and the Purchaser for the sale and purchase of 450 shares of US\$1.00 each in the share capital of Advanced Digital Technology Company Limited (BVI);
- (v) the Sale and Purchase Agreement;
- (vi) the sale and purchase agreement dated 17 July 2006 and entered into between Mr. Chan Tze Ngon, an executive Director, as the purchaser and the Purchaser as the vendor in relation to the disposal of 33,037,220 shares in ChinaCast Communication Holdings Limited at a total consideration of S\$9,250,000;
- (vii) the sale and purchase agreement dated 19 October 2006 and entered into between 冠亞科技(上海)有限公司 (Topasia Tech (Shanghai) Limited)[#], a subsidiary of the Group, as vendor and 北京潤高文化發展有限公司 (Beijing Run Gao Cultural Development Limited)[#] as purchaser in relation to the disposal of 20% of the registered and paid-up capital of 北京東師雙威教育技術開發有限公司 (Beijing Dongshi Shuangwei Education Technology Company Limited)[#] at a total consideration of RMB12,000,000 (equivalent to approximately HK\$12,000,000); and
- (viii) the Supplemental Agreement.

10. 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 CPA 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 2005, 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 over 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) In the event of any inconsistency, the English language text of this circular and the form of proxy shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office of the Company at Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong from the date of this circular up to and including 22 February 2007 and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual report of the Company for the two years ended 31 December 2005 and 31 December 2004;
- (c) the accountants' report of Grand Panorama prepared by Lawrence CPA Limited, the text of which is set out in Appendix II;
- (d) the letter from Lawrence CPA Limited in respect of the unaudited pro forma financial information of the Group as set out in Appendix III to this circular;
- (e) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (f) the written consent of the expert referred to in the paragraph headed "Expert and consent " in this appendix;
- (g) the circular of the Company dated 30 May 2006 in relation to the acquisition of the entire issued share capital of Grand Panorama;
- (h) the circular of the Company dated 31 August 2006 in relation to the disposal of equity interests in ChinaCast Communication Holdings Limited and the future disposal of equity interests in Great Wall Acquisition Corporation;
- (i) the circular of the Company dated 13 November 2006 in relation to the disposal of 20% of the registered and paid up capital in 北京東師雙威教育技術開發有限公司 (Beijing Dongshi Shuangwei Education Technology Company Limited)*; and
- (j) this circular.

The English transliteration of the Chinese names in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English names of such Chinese names.

12. DETAILS OF THE DIRECTORS TO BE RE-ELECTED

As shown below is the details of Mr. Tai and Mr. Tang respectively,

Mr. Tai

Mr. Tai, aged 50, is a founding partner of a boutique merchant bank in Hong Kong. Mr. Tai has over 20 years' experience in the field of corporate finance. He received his education in the United States of America and holds a Juris Doctor degree and has been involved in many leading merger and acquisition transactions in the United States and the Asia-Pacific region.

There is no service contract entered into between the Company and Mr. Tai. It is currently proposed that Mr. Tai shall serve an initial term of 2 years and the Director's fee is fixed at HK\$150,000.00 per annum. The Director's fee will be determined by the Board with references to the prevailing market conditions, director's duties, responsibilities and performance and the results of the Company.

Save for the relationship arising from Mr. Tai's position as an independent non-executive Director, Mr. Tai does not have any relationship with any other directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. Other than the present appointment, he did not hold any directorship in other listed companies over the last three years. Further, Mr. Tai does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures (as defined under Part XV of the Securities & Future Ordinance) of the Company.

There is no information relating to Mr. Tai that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders.

Mr. Tang

Mr. Tang, aged 45, was an executive Director of the Company since April 1999 and has resigned by retirement at the annual general meeting of the Company held on 26 May 2006 (the "AGM"). He remained as the chief executive officer of the Company after such retirement. Mr. Tang was appointed as an executive Director and deputy chairman on 10 October 2006. He graduated from the University of Hong Kong with a bachelor's degree in social sciences. Before joining the Group in February 1994, Mr. Tang participated in senior marketing and management assignments with various multi-national vendors for over 10 years.

The Company and Mr. Tang entered into a service agreement on 10 October 2006 for the engagement of Mr. Tang as a Director for a period of three years from 10 October 2006. Under the terms of the Agreement, Mr. Tang is entitled to a monthly salary of HK\$74,458 per month. This monthly salary is determined after taking into account of the personal experience of Mr. Tang and his duties and responsibilities as an executive Director, with reference to the prevailing market conditions.

Save for the relationship arising from Mr. Tang's position as an executive Director, Mr. Tang does not have any relationship with any other directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. Other than acting as the executive Director from April 1999 to the AGM, he did not hold any directorship in other listed companies over the last three years. Further, Mr. Tang does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures (as defined under Part XV of the Securities & Future Ordinance) of the Company.

There is no information relating to Mr. Tang that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders.

NOTICE OF SGM



VENTURE INTERNATIONAL INVESTMENT HOLDINGS LIMITED

(宏昌國際投資控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 61)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Venture International Investment Holdings Limited (the “**Company**”) to be held at Room 3101, 31st Floor, 118 Connaught Road West, Hong Kong on Thursday, 22 February 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the supplemental agreement dated 17 November 2006 (the “**Supplemental Agreement**”) entered into among Technology Venture Investments Limited (the “**Purchaser**”) as purchaser, August Chance Investments Limited, Recognition International Limited, John S & Sherry H Chen Family 1994 Trust, Toh Teng Peow David, Tam Yuk Ching Jenny, Double Assets Investments Limited, Profitone Agents Limited, Universal Chinese Limited, Ever Perform Technology Limited and Fabulous On Services Limited (the “**Vendors**”) as vendors and Mr Samuel Lin Jr. as guarantor (the “**Guarantor**”) in relation to the extension of the time for fulfillment of the profit guarantees provided by the Vendors in favour of the Purchaser under the sale and purchase agreement dated 10 February 2006 and entered into among the Purchaser, the Vendor and the Guarantor (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and are hereby authorised to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Supplemental Agreement and the matters contemplated therein.”

2. “**THAT**

- (a) Mr. Tang King Hung be re-elected as an executive director and deputy chairman of the Company and the board of directors of the Company be authorised to fix his remuneration; and

* for identification purpose only

NOTICE OF SGM

- (b) Mr. Benedict Tai be re-elected as an independent non-executive director of the Company and the board of directors of the Company be authorised to fix his remuneration.”

By order of the Board
Venture International Investment Holdings Limited
Chan Tze Ngon
Chairman

Hong Kong, 30 January 2007

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

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 26th Floor, Tesbury Centre, 28 Queen's Road East, 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.