FinTronics

银创控股

FINTRONICS HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 706

ANNUAL REPORT **2007**

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Sze Wai, Marco *(Chairman)*
Mr. Chu Chi Shing *(Chief Executive Officer)*
Mr. Robert Kenneth Gaunt
Mr. Song Jing Sheng
Mr. Tan Shu Jiang

Non-executive Director

Mr. Zee Zin Yee

Independent Non-executive Directors

Mr. Wong Po Yan
Mr. Mao Zhenhua
Mr. Chong Yiu Kan, Sherman

COMPANY SECRETARY

Mr. Chan Ying Kay, *FCPA*

QUALIFIED ACCOUNTANT

Mr. Chan Ying Kay, *FCPA*

LEGAL ADVISERS

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre,
Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citic Ka Wah Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2003 and 2005, 20th Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street, Hamilton HM 11
Bermuda

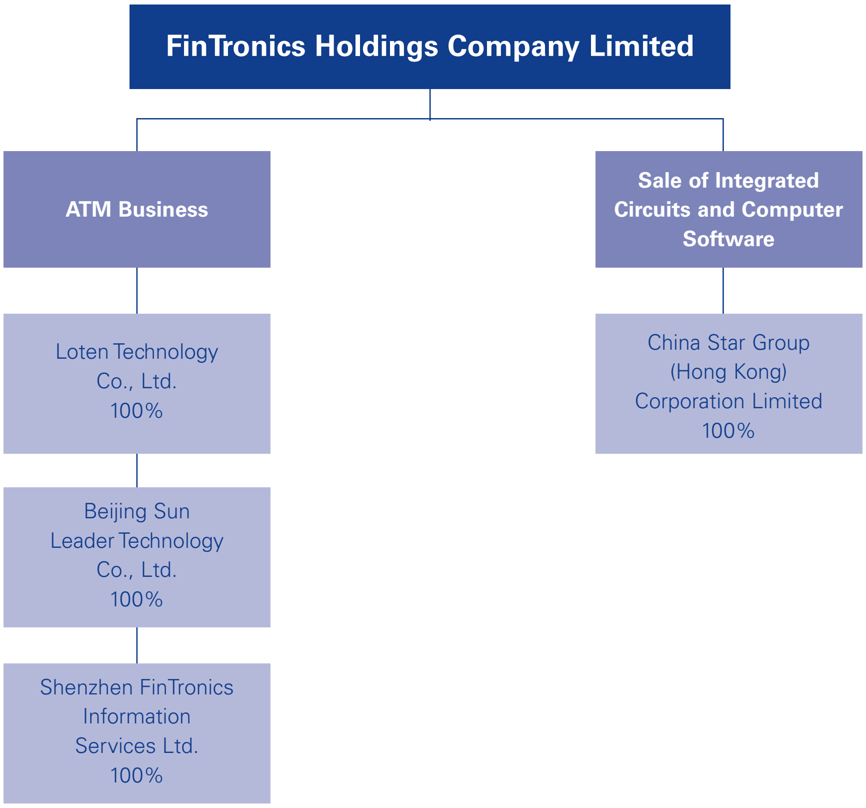
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Business Structure

At 31 December 2007

The following chart shows the principal members of the FinTronics Holdings Company Limited and its principal subsidiaries and their respective business activities as at 31 December 2007:



Chairman's Statement

To our shareholders

As per capita income of Chinese citizens increases rapidly and Chinese consumers catch up with international consumption patterns, the demand for speedy and convenient personal wealth management service has been rising in the country. These phenomena have sent the ATM service segment into rocketing growth. Having started in 2005 to venture into the financial e-payment service market in China laden with potential, the Group has built a very solid foundation business foundation.

As at the end of 2007, banks in China had issued a total of 1,470,000,000 bank cards, 30% more than that in 2006, and there were a total of 123,000 ATMs in the country. The total number of ATMs deployed by non-banking institutions (i.e. operators) also continued to increase. Applying its outstanding ability in selecting locations and with advanced technical support and extensive operational experience, the Group has been able to effectively control operation costs while securing contracts to provide quality products and services in its three strategic deployment zones, namely the Pearl River Delta Region, the Yangtze River Delta Region and Beijing and Tianjin. This explains the Group's leading presence in the competitive ATM deployment market in China.

To meet the needs of users who are becoming more and more demanding on the timeliness and quality of ATM services, the Group has been enhancing competitiveness through boosting transaction volume and controlling deployment and operational costs. In addition, the Group will continue to accumulate project management experience in business management and implementation in aspects including procurement, supporting service, location selection, implementation rate and development of value added services. Although the current business environment for the financial sector including ATM operators is challenging, since ATM service is an integral part of the financial service system, it has tremendous potential to grow. Among the first ATM operators to enter the market, the Group has first mover advantage plus a professional management team and advanced technological know-how. It is confident of consolidating its prominent position in the industry and generating steady and fruitful returns to shareholders through prudent planning and implementation of business development strategies.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all our clients, bankers, investors and business partners for their continuous support and trust. We would also like to thank the management team and staff for their commitment and contribution to the Group's business in the past year.

Sze Wai, Marco
Chairman

Hong Kong, 16 April 2008

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, Fintronics deployed and operated around 500 ATMs in major cities with considerable demand for e-payment service such as Beijing, Liaoning, Shandong, Tianjin, Shanghai and Guangdong, etc., accounting for approximately 5% of the ATM operation market in China.

During the year, Fintronics also entered into cooperation agreements with the head office and regional and local offices of China Unionpay and won two new customers, namely Shenzhen Development Bank and China UMS. As at 31 December 2007, the Group has secured contracts for the deployment of a total of 7,000 ATMs (2006: 6,000 ATMs). The timing and exact location of the ATMs to be deployed are subject to future agreements with local branches of our customers.

Led by an experienced management team, the Group delivered optimum performance in implementation rate, selection of ATM locations, supporting system provision and maintenance, etc., thereby increased its overall operational efficiency. Backed by partner banks and China Unionpay, the Group has begun services such as collection, payment or withdrawal by foreign bank cards on most ATMs, which is welcomed by commercial banks.

In February 2007, FinTronics agreed to dispose of its SI companies for a total consideration of HK$14,330,000 to free resources for the development of ATM business. Therefore, this segment ceased to bring any substantial contribution to the Group during the period under review.

PROSPECTS

The prosperous Chinese economy has enabled the self-service financial device industry to gather growth momentum, pushing the total number of ATMs from around 88,000 units in late 2006 to 123,000 units in late 2007. Holding a critical position in ATM operation business, independent ATM suppliers' offer of ATM deployment outsourcing service is gaining recognition among commercial banks in the country.

With persistently strong market demand for ATMs, we expect the regulatory environment of financial self-service device market to continue to improve. Regarding the policy of money replenishment, highly flexibility will be given to independent companies, which will help promote related development. Independent clearing companies are also expected to give full play of their parts in the ATM operation business. However, intensifying competition will bring out an industry consolidation and lead to smaller and inefficient operators being ousted from the market. As the ATM operation market continues to mature, ATM deployment and operation will become more cost-effective by the year.

Capitalizing on the Group's first mover advantage in the independent ATM service industry, the management will strive to secure more new ATM deployment contracts and speed up deployment. Based on the deployment contracts on hand, we will be able to attain the objective of deploying around 1,000 ATMs in 2008, and accelerate expansion of our ATM business in Southern and Eastern China where such machines are widely used.

Management Discussion and Analysis

In addition to growing its ATM network, the Group will continue to work with its partners to explore generating revenue from value-added transaction services such as utility bill payment, mobile phone top-up, dispensing of lottery tickets and advertising, etc. on its ATMs.

Using its abundant financial resources, the Group will continue to seek better development opportunities for achieving sustainable growth of its ATM business. We will implement our business development strategies carefully with reference to market conditions. As always, our ultimate goal is to deliver substantial value to shareholders.

MATERIAL DISPOSALS IN SUBSIDIARIES AND ASSOCIATES

In February 2007, FinTronics disposed its SI Companies at a total consideration of HK$14,330,000 in order to capitalise its resources in its ATM business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had cash and bank balances of HK$259.2 million (2006: HK$128.3 million) of which HK$29.6 million (2006: HK$17.5 million) were pledged to banks for facilities granted to the Group.

The Group had loans and overdraft amounting HK$62.1 million (2006: HK$66.8 million) as at 31 December 2007. As at 31 December 2007, the total asset value of the Group was HK$481.4 million (2006: HK$371.9 million) whereas the total liabilities was HK$84.1 million (2006: HK$157.5 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 17.5% (2006: 42.4%).

As at 31 December 2007, the Group had available aggregate banking facilities of HK$67 million (2006: HK$87 million) of which HK$62.1 million (2006: HK$11.9 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK$29.6 million (2006: HK$17.5 million), and investment properties of the Group valued at HK$2.7 million (2006: HK$8.4 million) as at 31 December 2007.

The Group maintained a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 51.8% (2006: net cash to equity ratio of 28.7%) as at 31 December 2007. With net cash of HK$197.1 million (2006: net cash of HK$61.5 million) as at 31 December 2007, the Group's liquidity position has improved significantly and the Directors of the Group believe that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES

As at 31 December 2007, land and buildings held for own use of the Group with an aggregate carrying value of HK$2,876,000 (2006: HK$5,599,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK$5,000,000 (2006: HK$6,000,000) granted to a former related company. As at 31 December 2007, the amount of the facilities utilised was HK$2,533,000 (2006: HK$5,984,000). All the properties pledged and corporate guarantee have been released at 15 February 2008.

As at 31 December 2007, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK$1,638,000 (2006: HK$5,148,000).

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2007, the Group had approximately 112 (2006: 549) employees of which approximately 28 (2006: 202) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK$22.9 million (2006: HK$26.7 million) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training programme is provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. During the year 2,400,000 share options were granted to directors, executives, employees and consultants to their contribution to the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sze Wai, Marco, aged 42, is the Chairman of the Company. He joined the Group in February 2001. Mr. Sze has over 16 years of experience in investing in Hong Kong and China. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading. He is responsible for formulating the Group's business strategies.

Mr. Chu Chi Shing, aged 40, is an Executive Director and Chief Executive Officer of the Company. He joined the Group in June 1998. Mr. Chu graduated from Shanghai Jiaotong University with a bachelor degree in Computer Science. Mr. Chu has extensive experience in the computer industry. He is responsible for the Group's business operations and also responsible for the implementation of the Group's business strategies and policies and investors' relationship.

Mr. Robert Kenneth Gaunt, aged 46, has extensive experience in the Financial Services, ATM ISO industry. After joining the Group, Mr. Gaunt will be responsible for overseeing the strategic growth of the ATM related business of the Group in the PRC. Mr. Gaunt has spent the last seven years owning and building ATM ISO companies in Australia. As a previous owner of Electronic Banking Solutions Pty Limited ("EBS") (at the time Australia's largest ATM ISO company), Mr. Gaunt was instrumental in the merger of EBS with Cashcard Australia Limited. He joined the Group in December 2006.

Mr. Robertus Martinus Andreas Broers, aged 47, has extensive experience in ATM ISO industry. Mr. Broers will be responsible for overseeing the operations and business development areas of the ATM related business of the Group in the PRC. Mr. Broers has spent the last six years running various ATM ISO companies. After spending two years as the General Manager of EBS in Australia, Mr. Broers spent two years heading up the ATM Division of Pulse International Pty Limited, then one of two independent device driving and electronic fund transfer transaction switching companies in Australia. Until his move to the Company, Mr. Broers was General Manager Operations of Customers Limited Australia – Australia's second largest non-bank ATM network owner and operator. He joined the Group in December 2006 and left the Group in January 2008.

Mr. Song Jing Sheng, aged 49, graduated from the postgraduate school of Chinese Academy of Social Sciences majoring in Finance. He has extensive experience in the banking and finance industry in the PRC. Mr. Song joined the Group in May 2005.

Mr. Tan Shu Jiang, aged 39, holds a bachelor degree of German Language from Shanghai International Studies University. Mr. Tan has over 11 years of experience in the sales and marketing, technical and general management in the information technology businesses. He is a director of Barwinstart Cultural Communication Co., Limited which is principally engaged in the operation of internet business in the People's Republic of China. He joined the Group in January 2007.

Mr. Gu Peijian, aged 42, is an Executive Director of the Company. He re-joined the Group in September 2004 and left the Group in January 2007. He obtained a master degree from Zhongguo Guoli Huaqiao University. He has 17 years of experience in the computer industry. He was an executive director of the Company from March 1999 to November 2000.

NON-EXECUTIVE DIRECTOR

Mr. Zee Zin Yee, aged 60, has extensive business, sales, marketing, engineering and manufacturing knowledge and experience around the world and specifically in China, Hong Kong, the United States, Canada, Scotland and Asia Pacific region. He retired from NCR Corporation in January 2004 after 34 years of services. The last position, prior to his retirement, Mr. Zee held was the head of Vice President of Asia Pacific Region for NCR Retail Solutions Division (RSD) since October 2002. Mr. Zee joined Vending Data Corporation in October 2005 responsible for engineering and manufacturing until April 2008. He joined the Group in January 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Po Yan, *GBM, CBE, JP,* aged 85, is an Independent Non-executive Director. He is the founder of United Oversea Enterprises, Ltd., the Honorary President of Chinese Manufacturers Association of Hong Kong. Mr. Wong is formerly the Vice Chairman of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of the PRC, and a member of the Hong Kong Legislative Council, the Chairman of the Airport Authority of Hong Kong. Mr. Wong holds an Honorary Doctorate Degree in Business Administration from the City University of Hong Kong and an Honorary Doctorate Degree in Social Science from Hong Kong Baptist University.

Mr. Mao Zhenhua, aged 44, is an Independent Non-executive Director. He joined the Group in February 2001. Mr. Mao graduated from Wuhan University with a doctorate in Economics. Mr. Mao is currently the Board Chairman and Chief Executive Officer of China Chengxin Credit Management Co., Ltd. and a director of Qinghai Huading Industrial Co., Ltd., a company listed on the Shanghai Stock Exchange. He has extensive experience in investment banking and the management of listed companies in Hong Kong. Mr. Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council.

Mr. Chong Yiu Kan, Sherman, aged 44, is an Independent Non-executive Director. He joined the Group in September 2004. Mr. Chong obtained a master degree in Business Administration from the University of Hong Kong. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of working experience in auditing, accounting, taxation and management consultancy. He is the sole proprietor of Sherman Chong & Co. (CPA).

SENIOR MANAGEMENT

Mr. Chan Ying Kay, aged 44, Company Secretary and Qualified Accountant of the Company. Mr. Chan is also the Chief Financial Officer of the Company. Mr. Chan is responsible for the financial management, corporate finance and company secretarial matters of the Group. Mr. Chan joined the Group in April 2003 and has over 16 years of experience in accounting and finance. Mr. Chan is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Report of the Directors

The Directors hereby present the annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 39 to the financial statements.

The analysis of the principal activities and geographical locations of operations of the Company and its subsidiaries during the year are set out in note 15 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2007 and the state of the Group's affairs as at that date are set out in the financial statements on pages 31 to 103.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2007.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 104.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	76.1	Nil
Five largest customers in aggregate	88.3	Nil
The largest supplier	Nil	56.1
Five largest suppliers in aggregate	Nil	90.7

None of the Directors or their respective associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or shareholders who own more than 5% of the issued share capital of the Company had any interests in any of these major customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2007 are set out in note 17 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2007 are set out in notes 25 and 27 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the financial statements. Shares were issued during the year to broaden the capital base of the Company.

SHARE PREMIUM AND RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company has no reserve available for cash distribution (2006: Nil) as computed in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account of HK$440,649,000 (2006: HK$268,970,000) as at 31 December 2007 may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the financial year and to the date of this report were:

Executive Directors

Mr. Sze Wai, Marco, *Chairman*	
Mr. Chu Chi Shing, *Chief Executive Officer*	
Mr. Robert Kenneth Gaunt	
Mr. Robertus Martinus Andreas Broers	(resigned on 16 January 2008)
Mr. Song Jing Sheng	
Mr. Tan Shu Jiang	(appointed on 29 January 2007)
Mr. Gu Peijian	(resigned on 29 January 2007)

Non-executive Director

Mr. Zee Zin Yee	(appointed on 29 January 2007)

Independent Non-executive Directors

Mr. Wong Po Yan
Mr. Mao Zhenhua
Mr. Chong Yiu Kan, Sherman

Independent Non-executive Directors are not appointed for a specific term. All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

In accordance with bye-laws 111(A) and (B), Mr. Chu Chi Shing and Mr. Song Jing Sheng will retire by rotation at the forthcoming annual general meeting and being eligible, offers themselves for re-election. Mr. Zee Zin Yee will retire at the annual general meeting and not to offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the share or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) 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 and short positions which they were taken or deemed to have under such provision of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	**Name of company**	**Capacity**	**Number and class of securities** *(note 1)*
Sze Wai, Marco	The Company	Interest of controlled corporation *(note 2)*	264,869,906 ordinary shares (L)
	The Company	Beneficial owner	5,689,769 ordinary shares (L) *(note 3)*
Chu Chi Shing	The Company	Beneficial owner	5,349,835 ordinary shares (L) *(note 3)*
Song Jing Sheng	The Company	Beneficial owner	41,876,923 ordinary shares (L) *(note 4)*
	The Company	Beneficial owner	2,000,000 ordinary shares (L) *(note 3)*

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Name	**Name of company**	**Capacity**	**Number and class of securities** *(note 1)*
Robert Kenneth Gaunt	The Company	Interest of controlled corporation *(note 5)*	1,700,000 ordinary shares (L)
Wong Po Yan	The Company	Beneficial owner	1,000,000 ordinary shares (L) *(note 3)*
Mao Zhenhua	The Company	Beneficial owner	1,000,000 ordinary shares (L) *(note 3)*
Chong Yiu Kan, Sherman	The Company	Beneficial owner	1,250,000 ordinary shares (L) *(note 6)*

Notes:

1. The letter "L" represents the Director's interests in the Shares and underlying shares of the Company.

2. These shares were held by Leading Value Industrial Limited, a company wholly owned by Sze Wai, Marco.

3. These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.

4. Included in these shares were (i) 33,800,000 issued shares and (ii) 8,076,923 shares which would fall to be allotted and issued pursuant to the exercise of the subscription rights attaching to the unlisted warrants issued to him by the Company.

5. These shares were held by Blazzed Pty Ltd., a company wholly owned by Robert Kenneth Gaunt.

6. Included in these shares were (i) 750,000 issued shares and (ii) 500,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Save as disclosed above, as at 31 December 2007, none of the Directors and the chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of the SFO) 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 and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive Directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options shall not be lower than the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the Hong Kong Stock Exchange on the date of offer of the options, which must be a trading day, and (iii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other operative share option schemes of the Group may not in aggregate exceed 105,778,000, being 10% of the shares in issue of the Company as at 30 June 2006, the date of which the resolution is passed pursuant to the share option scheme.

SHARE OPTION SCHEME *(Continued)*

The unexercised outstanding share options as at 31 December 2007 are as follows:

				Number of share options						
Grantee	**Date granted**	**Exercisable period**	**Exercise price of options** *HK$*	**Outstanding at 1.1.2007**	**Adjustment**	**Outstanding at 1.1.2007** (restated)	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2007**
Old Scheme										
Directors										
Chu Chi Shing	16 Jun 1999	10 years	0.806	2,100,000	713,861	2,813,861	–	–	–	2,813,861
	28 Dec 1999	10 years	0.985	200,000	67,987	267,987	–	–	–	267,987
	14 May 2001	10 years	0.433	200,000	67,987	267,987	–	–	–	267,987
Sze Wai, Marco	14 May 2001	10 years	0.433	3,500,000	1,189,769	4,689,769	–	–	–	4,689,769
Former director										
Chiu Chi Shun, Clarence	14 May 2001	10 years	0.433	3,500,000	1,189,769	4,689,769	–	–	(4,689,769)	–
Employees	16 Jun 1999	10 years	0.806	2,881,000	979,350	3,860,350	–	–	(2,813,861)	1,046,489
	20 Dec 1999	10 years	0.843	100,000	33,993	133,993	–	–	–	133,993
	28 Dec 1999	10 years	0.985	650,000	220,957	870,957	–	–	(870,957)	–
	03 Jan 2000	10 years	1.075	560,000	190,363	750,363	–	–	(53,597)	696,766
	28 Feb 2000	10 years	1.537	40,000	13,597	53,597	–	–	(53,597)	–
	21 Jul 2000	10 years	0.851	200,000	67,987	267,987	–	–	(267,987)	–
	14 May 2001	10 years	0.433	1,750,000	594,884	2,344,884	–	–	–	2,344,884
New Scheme										
Directors										
Chu Chi Shing	31 Oct 2006	10 years	0.250	2,000,000	–	2,000,000	–	–	–	2,000,000
Song Jing Sheng	31 Oct 2006	10 years	0.250	2,000,000	–	2,000,000	–	–	–	2,000,000
Sze Wai, Marco	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000	–	–	–	1,000,000

SHARE OPTION SCHEME *(Continued)*

				Number of share options						
Grantee	Date granted	Exercisable period	Exercise price of options *HK$*	Outstanding at 1.1.2007	Adjustment	Outstanding at 1.1.2007 (restated)	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
Former director										
Gu Peijian (resigned on 29 January 2007)	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000	–	(500,000)	–	500,000
Independent Non-executive directors										
Chong Yiu Kan, Sherman	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000	–	(500,000)	–	500,000
Mao Zhenhua	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000	–	–	–	1,000,000
Wong Po Yan	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000	–	–	–	1,000,000
Employees and Consultants										
Employees	20 Mar 2006	10 years	0.122	36,560,000	–	36,560,000	–	(34,560,000)	–	2,000,000
	04 Oct 2006	10 years	0.213	3,000,000	–	3,000,000	–	–	–	3,000,000
	02 Jan 2007	10 years	0.285	–	–	–	2,400,000	–	–	2,400,000
Consultants	20 Mar 2006	10 years	0.122	7,000,000	–	7,000,000	–	(7,000,000)	–	–
	04 Oct 2006	10 years	0.213	8,000,000	–	8,000,000	–	(8,000,000)	–	–
				79,241,000	5,330,504	84,571,504	2,400,000	(50,560,000)	(8,749,768)	27,661,736

SHARE OPTION SCHEME *(Continued)*

The share options are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions are as follows:

Date granted	**Vesting period**	**Percentage of options vested**
16.06.1999	16.06.1999-01.10.1999	Nil
	02.10.1999-01.01.2000	10%
	02.01.2000-01.01.2001	30%
	02.01.2001-01.01.2002	60%
	02.01.2002-01.07.2002	90%
	02.07.2002-05.07.2009	100%
20.12.1999, 03.01.2000, 28.02.2000 and 21.07.2000	Date of grant-01.01.2001	Nil
	02.01.2001-01.01.2002	30%
	02.01.2002-01.01.2003	60%
	02.01.2003-10 years from the date of grant	100%
28.12.1999	28.12.1999-31.01.2001	Nil
	01.02.2001-27.12.2009	100%
14.05.2001	14.05.2001-30.09.2001	Nil
	01.10.2001-01.01.2002	40%
	02.01.2002-01.01.2003	70%
	02.01.2003-13.05.2011	100%
20.03.2006	21.03.2006-20.03.2016	100%
04.10.2006	04.10.2006-03.04.2007	Nil
	04.04.2007-03.10.2007	50%
	04.10.2007-03.10.2016	100%
31.10.2006	31.10.2006-30.04.2007	Nil
	01.05.2007-31.10.2007	50%
	01.11.2007-30.10.2016	100%
02.01.2007	02.01.2007-01.01.2008	Nil
	02.01.2008-01.01.2009	1/3
	02.01.2009-01.01.2010	2/3
	02.01.2010-01.01.2017	3/3

SHARE OPTION SCHEME *(Continued)*

The weighted average share price at the exercise date of the share options during the year was HK$0.62. The options outstanding at the end of the year have a weighted average remaining contractual life of 6.08 years (2006: 8.27 years) and the exercise prices range from HK$0.122 to HK$1.075 (2006: HK$0.122 to HK$2.06).

The fair value of options granted during the year determined at the grant date using the binomial option pricing model was approximately HK$466,000. The significant inputs into the model were as follows:

	2 Jannuary 2007
Option value	HK$0.194
Total fair value	HK$466,000
Share price at date of grant	HK$0.280
Exercisable price	HK$0.285
Expected volatility	84%
Risk-free interest rate	3.724%
Suboptimal exercise factor	2.75
Dividend yield	0%

The expected volatility was determined by calculating the historical volatility of the Company's share price from the date of listing to grant dates. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total share-based compensation costs recognised during the year amounted to HK$278,000 (2006: HK$4,533,000).

The weighted average value per option granted in 2002 estimated at the date of grant using the Black-Scholes pricing model was HK$0.67. Those share options are not recognised in the financial statements until they are exercised. The weighted average assumptions used are as follows:

	2002
Risk-free interest rate	3.97%
Expected life (in years)	10
Volatility	0.08
Expected dividend per share	–

SHARE OPTION SCHEME *(Continued)*

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Apart from the foregoing, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 31 December 2007, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	**Number of ordinary shares** *(Note 1)*	**Capacity**	**Approximate percentage of interest**
Leading Value Industrial Limited *(note 2)*	264,869,906 (L)	Beneficial owner	14.39
Customers Asia Limited *(note 3)*	450,000,000 (L)	Beneficial owner	24.44
Customers Limited *(note 3)*	450,000,000 (L)	Interest of controlled corporation	24.44
Wen Jian Zhu	100,000,000 (L)	Beneficial owner	5.43

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO *(Continued)*

Notes:

1. The letter "L" represents the entity's interests in the Shares.

2. Leading Value Industrial Limited is a company wholly owned by Sze Wai, Marco, who is an executive Director.

3. Customers Asia Limited is a company wholly owned by Customers Limited. Customers Limited is a company whose shares are listed on the Australian Stock Exchange.

Save as disclosed above, as at 31 December 2007, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RETIREMENT SCHEME

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the income statement amounted to HK$280,000 (2006: HK$139,000) during the year.

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 17% to 33% (2006: 14% to 25%) of the standard wages determined by the relevant authorities in the PRC.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to HK$517,000 (2006: HK$1,226,000) during the year.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its holding company or its subsidiaries was a party, subsisted at the end of the year or at any time during the year in which a director of the Company had a material interest.

CONNECTED TRANSACTIONS

During the year ended 31 December 2007, there were no transactions which are required to be disclosed in accordance with announcement and reporting requirements under the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("Code on CG Practices") throughout the year ended 31 December 2007. Details of the Code adopted by the Company is set out in the section of Corporate Governance Report.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman. Mr. Chong Yiu Kan, Sherman is the Chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the annual report for the year ended 31 December 2007 with the Directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board still considers each of the independent non-executive Directors to be independent.

Report of the Directors

AUDITOR

The financial statements have been audited by RSM Nelson Wheeler, who will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board of Directors of
FinTronics Holdings Company Limited

Sze Wai, Marco
Chairman

Hong Kong, 16 April 2008

Corporate Governance Report

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year. Below are the major corporate governance practices adopted by the Company with specific reference to the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Appendix 10 of the Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published.

THE BOARD OF DIRECTORS

The Board consists of three Independent Non-executive Directors and one Non-executive Director that is more than one-third of the Board. As at the date of this report, the Board comprises nine Directors, of which five are Executive Directors. Members of the Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. There are total of fifteen board meetings held during the year.

Attendance of individual Directors at Board Meetings held during the year:–

Executive Directors		**Attendance**	**Percentage**
Mr. Sze Wai, Marco		15/15	100%
Mr. Chu Chi Shing		15/15	100%
Mr. Robert Kenneth Gaunt		9/15	60%
Mr. Robertus Martinus Andreas Broers	(resigned on 16 January 2008)	15/15	100%
Mr. Song Jing Sheng		12/15	80%
Mr. Tan Shu Jiang	(appointed on 29 January 2007)	8/15	53%
Mr. Gu Peijian	(resigned on 29 January 2007)	N/A	N/A
Non-executive Director			
Mr. Zee Zin Yee	(appointed on 29 January 2007)	7/15	47%
Independent Non-executive Directors			
Mr. Wong Po Yan		7/15	47%
Mr. Mao Zhenhua		7/15	47%
Mr. Chong Yiu Kan, Sherman		7/15	47%

THE BOARD OF DIRECTORS *(Continued)*

The Managing Director of the Company performs the function of chairman and is responsible for leadership and management of the Board, the overall corporate direction, corporate strategy and policy making of the group. The Company's Chief Executive Officer is responsible for overall management, business development, implementation of strategy and policy in achieving the overall commercial objectives. The roles of the Managing Director and the Chief Executive Officer are distinctive. Also, there were no special relationship (including financial, business, family or other material/relevant relationships) among existing members of the Board and in particular, between the Managing Director and the Chief Executive Officer.

REMUNERATION COMMITTEE

The Remuneration Committee comprises four members, a majority of whom are independent Non-executive Directors, and is chaired by Mr. Wong Po Yan. The Remuneration Committee is aimed to review and determine the remuneration policy and packages of the executive directors and executives.

The Remuneration Committee is scheduled to meet at least once a year for the determination of the remuneration packages of Directors and executives of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Remuneration Committee Meeting held during the year:–

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Wong Po Yan *(Chairman)*	1/1	100%
Mr. Mao Zhenhua	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

NOMINATION COMMITTEE

The Nomination Committee comprises four members, a majority of whom are independent Non-executive Directors, and is chaired by Mr. Mao Zhenhua. The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

NOMINATION COMMITTEE *(Continued)*

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition of the Board. In addition, the Nomination Committee also meets as and when required to consider nomination related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Nomination Committee Meeting held during the year:–

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Mao Zhenhua *(Chairman)*	1/1	100%
Mr. Wong Po Yan	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

AUDITOR'S REMUNERATION

The Company reviews the appointment of external auditor on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee payable to the Company's external auditor for the annual audit amounted to HK$1,650,000 and fee for non-audit related activities amounted to HK$50,000.

AUDIT COMMITTEE

Under its terms of reference which are aligned with the code provisions set out in the Code, the Audit Committee is required to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Senior representatives of the external auditor, Executive Directors and senior executives are invited to attend the meetings, if required. None of the Audit Committee members are members of the former or existing employees of the Company.

AUDIT COMMITTEE *(Continued)*

The Audit Committee met two times during the year and the attendance of each member is set out as follows:

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Chong Yiu Kan, Sherman *(Chairman)*	2/2	100%
Mr. Mao Zhenhua	2/2	100%
Mr. Wong Po Yan	2/2	100%

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

INVESTOR RELATIONS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. All the shareholders have 21 days' notice of annual general meeting at which directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its Annual Report and Accounts and Interim Report which are sent to shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the Stock Exchange website.

In order to provide effective disclosure to shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

Independent Auditor's Report

RSM! Nelson Wheeler

羅 申 美 會 計 師 行

Certified Public Accountants

TO THE SHAREHOLDERS OF
FINTRONICS HOLDINGS COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of FinTronics Holdings Company Limited (the "Company") set out on pages 31 to 103, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor 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. An audit 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 16 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Continuing operations			
Turnover	6	**60,505**	77,012
Cost of sales		**(50,493)**	(70,109)
Gross profit		**10,012**	6,903
Other income	7	**24,655**	13,994
Administrative expenses		**(61,191)**	(61,311)
Other operating expenses		**(3,529)**	(145,675)
Loss from operations		**(30,053)**	(186,089)
Fair value gain on derivative component of convertible loan	27	**11,921**	–
Finance costs	8	**(12,370)**	(3,158)
Share of losses of associates		**–**	(1,117)
Loss before tax		**(30,502)**	(190,364)
Income tax credit	9	**881**	408
Loss for the year from continuing operations		**(29,621)**	(189,956)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	10	**3,022**	(9,796)
Loss for the year	11	**(26,599)**	(199,752)
Attributable to:			
Equity holders of the Company		**(26,144)**	(202,132)
Minority interests		**(455)**	2,380
		(26,599)	(199,752)

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
(Loss)/profit per share			
From continuing and discontinued operations:			
Basic	14(a)	**(1.60) cents**	(20.34) cents
Diluted	14(a)	**N/A**	N/A
From continuing operations:			
Basic	14(b)	**(1.81) cents**	(19.12) cents
Diluted	14(b)	**N/A**	N/A
From discontinued operations:			
Basic	14(c)	**0.21 cents**	(1.22) cents
Diluted	14(c)	**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Fixed assets			
Investment properties	16	**2,700**	8,350
Property, plant and equipment	17	**70,633**	49,825
Prepaid land lease payments	18	**2,158**	4,318
		75,491	62,493
Goodwill	19	**48,928**	45,629
Intangible assets	20	**40,614**	42,375
Interests in associates	21	**–**	–
Pledged deposits	25(b)	**29,646**	17,516
		194,679	168,013
Current assets			
Trade and other receivables	22	**57,154**	20,768
Bank and cash balances	23	**229,534**	92,348
		286,688	113,116
Assets classified as held for sale		**–**	90,806
		286,688	203,922
Current liabilities			
Trade and other payables	24	**14,337**	29,672
Bank loans and overdraft	25	**–**	45,736
Finance lease payables	26	**536**	496
Derivative component of convertible loan	27	**19,966**	–
Current tax liabilities		**–**	432
		34,839	76,336
Liabilities classified as held for sale		**–**	69,252
		34,839	145,588
Net current assets		**251,849**	58,334

Consolidated Balance Sheet

As at 31 December 2007

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Total assets less current liabilities		**446,528**	226,347
Non-current liabilities			
Convertible loan	*27*	**41,539**	–
Finance lease payables	*26*	**93**	630
Deferred tax liabilities	*30*	**7,645**	11,331
		49,277	11,961
Net assets		**397,251**	214,386
Capital and reserves			
Share capital	*31*	**184,128**	136,778
Reserves		**213,123**	70,385
Equity attributable to equity holders of the Company		**397,251**	207,163
Minority interests		**–**	7,223
Total equity		**397,251**	214,386

Approved and authorised for issue by the Board of Directors on 16 April 2008

Sze Wai, Marco
Director

Chu Chi Shing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	General reserve	Share option reserve	Translation reserve	Warrants reserve	Buildings revaluation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	52,864	217,055	6,008	–	6,710	1,735	68	(23,043)	261,397	3,685	265,082
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	6,629	–	–	–	6,629	–	6,629
Share options issue expenses	–	(68)	–	–	–	–	–	–	(68)	–	(68)
Expenses on issue of warrants	–	–	–	–	–	(73)	–	–	(73)	–	(73)
Rights issue expenses	–	(1,858)	–	–	–	–	–	–	(1,858)	–	(1,858)
Net income recognised directly in equity	–	(1,926)	–	–	6,629	(73)	–	–	4,630	–	4,630
Loss for the year	–	–	–	–	–	–	–	(202,132)	(202,132)	2,380	(199,752)
Total recognised income and expense for the year	–	(1,926)	–	–	6,629	(73)	–	(202,132)	(197,502)	2,380	(195,122)
Rights issue	52,864	–	–	–	–	–	–	–	52,864	–	52,864
Issue of new shares	31,000	53,810	–	–	–	–	–	–	84,810	–	84,810
Share options benefits											
Exercise of share options	50	11	–	–	–	–	–	–	61	–	61
Transfer to share premium	–	20	–	(20)	–	–	–	–	–	–	–
Grant of share options	–	–	–	4,533	–	–	–	–	4,533	–	4,533
Issue of warrants	–	–	–	–	–	1,000	–	–	1,000	–	1,000
Transfer between reserves	–	–	454	–	–	–	–	(454)	–	–	–
Loss on partial disposal of a subsidiary interest to a minority shareholder	–	–	–	–	–	–	–	–	–	1,158	1,158
	83,914	51,915	454	4,513	6,629	927	–	(202,586)	(54,234)	3,538	(50,696)
At 31 December 2006	136,778	268,970	6,462	4,513	13,339	2,662	68	(225,629)	207,163	7,223	214,386

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**General reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Warrants reserve** *HK$'000*	**Buildings revaluation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2007	136,778	268,970	6,462	4,513	13,339	2,662	68	(225,629)	207,163	7,223	214,386
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	9,704	–	–	–	9,704	–	9,704
Private placing expenses	–	(9,292)	–	–	–	–	–	–	(9,292)	–	(9,292)
Net income recognised directly in equity	–	(9,292)	–	–	9,704	–	–	–	412	–	412
Loss for the year	–	–	–	–	–	–	–	(26,144)	(26,144)	(455)	(26,599)
Total recognised income and expense for the year	–	(9,292)	–	–	9,704	–	–	(26,144)	(25,732)	(455)	(26,187)
Share options benefits											
Exercise of share options	5,056	1,968	–	–	–	–	–	–	7,024	–	7,024
Transfer to share premium	–	2,818	–	(2,818)	–	–	–	–	–	–	–
Grant of share options	–	–	–	278	–	–	–	–	278	–	278
Warrants benefits											
Exercise of warrants	15,808	28,442	–	–	–	–	–	–	44,250	–	44,250
Transfer to share premium	–	2,070	–	–	–	(2,070)	–	–	–	–	–
Issue of shares by private placing	26,486	145,673	–	–	–	–	–	–	172,159	–	172,159
Transfer between reserves	–	–	(6,462)	–	–	–	–	6,462	–	–	–
Disposal of subsidiaries	–	–	–	–	(3,478)	–	–	–	(3,478)	(6,768)	(10,246)
Deregistration of subsidiares	–	–	–	–	(4,413)	–	–	–	(4,413)	–	(4,413)
	47,350	171,679	(6,462)	(2,540)	1,813	(2,070)	–	(19,682)	190,088	(7,223)	182,865
At 31 December 2007	184,128	440,649	–	1,973	15,152	592	68	(245,311)	397,251	–	397,251

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Operating activities			
Loss for the year		**(26,599)**	(199,752)
Adjustments for:			
Amortisation of intangible assets		**4,825**	2,915
Amortisation of prepaid land lease payments		**3**	4
Depreciation		**8,514**	7,213
Fair value gain on derivative component of convertible loan		**(11,921)**	–
Gain on deregistration of subsidiaries		**(9,080)**	–
Gain on disposal of an associate		**–**	(2,390)
Gain on disposal of investment property		**(1,250)**	–
Gain on disposal of property, plant and equipment and prepaid land leases		**(2,206)**	(86)
Gain on disposal of subsidiaries		**(5,831)**	–
Loss on partial disposal of subsidiary		**–**	1,158
Impairment losses on non-current assets held for sale		**–**	14,420
Impairment losses on goodwill		**–**	77,000
Impairment losses on trade receivables		**1,648**	29,248
Impairment losses on prepayments for investments		**500**	32,500
Income tax (credit)/expense		**(881)**	324
Interest expenses		**12,604**	4,450
Interest income		**(4,945)**	(679)
Fair value gain on investment properties		**(350)**	–
Recognition of share-based payments		**278**	4,533
Share of losses of associates		**–**	1,301
Waiver of amount due to an associate		**–**	(9,347)
Waiver of other payables		**(961)**	–
Written off of other receivables		**1,000**	9,234
Operating loss before changes in working capital		**(34,652)**	(27,954)
Increase in inventories		**(3,297)**	(2,141)
Increase in accounts receivable		**(10,129)**	(4,021)
Decrease in retentions receivable from customers		**1,077**	811
Decrease in gross amount due from customers for contract work		**9,389**	1,075
(Increase)/decrease in prepayments, deposits and other receivables		**(47,371)**	14,628
Increase/(decrease) in accounts payable		**1,580**	(12,339)
Increase/(decrease) in bills payable		**1,365**	(2,654)
Decrease in gross amount due to customers for contract work		**(2,163)**	(1,905)
Increase/(decrease) in amount due to a director		**458**	(5,684)
Increase in receipts in advance		**–**	2,185
Increase in other payables and accrued expenses		**2,232**	11,053
Increase in pledged deposits		**(12,130)**	–

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Cash used in operations		**(93,641)**	(26,946)
Tax paid			
Hong Kong profits tax recovered		**–**	603
PRC income tax paid		**(155)**	(718)
Net cash used in operating activities		**(93,796)**	(27,061)
Investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	21,145
Proceeds from deposit for disposal of SI Companies	*34*	**–**	13,000
Proceeds from disposal of subsidiaries, net of cash disposed of	*33(a)*	**(7,611)**	–
Increase in amounts due from associates		**–**	(18,127)
Payments for purchases of property, plant and equipment		**(25,923)**	(640)
Proceeds from disposal of property, plant and equipment and prepaid land leases		**4,896**	180
Proceeds from disposal of investment properties		**7,250**	–
Interest received		**4,945**	679
Net cash (used in)/generated from investing activities		**(16,443)**	16,237
Financing activities			
Proceeds from issue of warrants		**–**	927
Proceeds from issue of shares		**223,433**	107,735
Share issuance expenses		**(9,292)**	(1,926)
Repayment of bank loans		**(30,903)**	(2,696)
Proceeds from new bank loans		**–**	10,000
Repayment from finance lease obligations		**(497)**	(421)
Proceeds from issue of convertible loan	*27*	**62,400**	–
Interest paid		**(1,578)**	(4,450)
Net cash generated from financing activities		**243,563**	109,169
Net increase in cash and cash equivalents		**133,324**	98,345
Effect of foreign exchange rates changes		**219**	5,264
Cash and cash equivalents at 1 January		**95,991**	(7,618)
Cash and cash equivalents at 31 December	*23*	**229,534**	95,991

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The address of its principal place of business is Units 2003 & 2005, 20/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties and derivatives which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Inter-company transactions, balances and unrealised profits 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.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

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, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) 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.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– 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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

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.

(e) Property, plant and equipment

Buildings held for own use are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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 consolidated income statement during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Revaluation increases of buildings are recognised in the consolidated income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the buildings revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against buildings revaluation reserve directly in equity. All other decreases are recognised in the consolidated income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the buildings revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold improvements	5 years
– Plant and machinery	5-10 years
– Furniture, fixtures and office equipment	3-5 years
– Motor vehicles	5 years

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(f) Investment properties

Investment properties are land and buildings held to earn rentals and for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the consolidated income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Customer contracts acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such customer contracts is their fair value at the acquisition date. Customer contracts are amortised on a straight line basis over their contractual duration of ten years.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

(h) Leases

(i) Operating leases

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

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost comprises raw materials, direct labour and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Systems integration contracts

When the outcome of a systems integration contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a systems integration contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Systems integration contracts in progress at the balance sheet date are recorded in the consolidated balance sheet at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated balance sheet as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the balance sheet as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the consolidated balance sheet under "Trade receivables". Amounts received before the related work is performed are included in the consolidated balance sheet under "Trade payables".

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. 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.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is re-measured at fair value at year end with gains and losses recognised in the consolidated income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

(r) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

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

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the provision of ATM services are recognised when the related services are rendered to customers.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

Revenue from individual systems integration contracts is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each contract. When the outcome of a systems integration contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable. Revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

Rental income is recognised on a straight-line basis over the lease term.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Share based payments

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

(x) Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, interest rate risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise foreign currency risk. The Group's principal businesses are conducted in Renminbi. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management but the management keep on monitoring the movement of all foreign currency exposure.

At 31 December 2007, if the Hong Kong dollar had weakened/strengthened 1% against the Renminbi with all other variables held constant, consolidated loss for the year would have been increased/decreased by HK$8,085,000 (2006: increased/decreased by HK$10,545,000). This is mainly attributable to the exposure outstanding on Renminbi inter-group current accounts with PRC subsidiaries at the year end.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts.

In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any significant concentration of credit risk.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2007, the Group has available unutilised general borrowing facilities of approximately HK$62,143,000 (2006: HK$11,929,000). Details of which are set out in note 25 to the financial statements.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*
At 31 December 2007				
Accounts payable	611	–	–	–
Amount due to a director	458	–	–	–
Bills payable	5,556	–	–	–
Convertible loan	4,513	4,992	67,871	–
Derivative component of convertible loan	19,966	–	–	–
Finance lease payables	565	93	–	–
Other payables and accrued expenses	7,712	–	–	–
At 31 December 2006				
Bank loans and overdraft	45,736	–	–	–
Bills payable	4,191	–	–	–
Deposit received for disposal of SI Companies	13,000	–	–	–
Finance lease payables	565	565	94	–
Other payables and accrued expenses	12,481	–	–	–

(d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to convertible loan (see note 27 to the financial statements for details).

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term bank deposits at market rates.

The Group currently does not have an interest rate hedging policy and will consider hedging significant interest rate exposure should the need arise.

In respect of short-term bank deposits, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2007 would increase/decrease by HK$2,424,000 (2006: HK$195,000). This is attributable to the Group's exposure to interest rates on its short-term bank deposits.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Price risk

The Group is required to estimate the fair value of the conversion option embedded in the convertible loan at each balance sheet date with changes in fair value to be recognised in the consolidated income statement as long as the convertible loan is outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

The sensitivity analyses below have been determined based on the exposure to the Company's share price risks at the reporting date only as the directors of the Company consider that the change in market interest rate may not have significant financial impact on the fair value of conversion option.

If the Company's share price had been 5% higher/lower and all other variables were held constant, the Group's loss for the year (as a result of changes in fair value of conversion option component embedded in the convertible loan) would increase/decrease by HK$1,552,000 (2006: HK$ Nil).

(f) Fair values

Except as disclosed in note 27 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate to their respective fair values.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at 31 December 2007 was HK$48,928,000.

(c) *Intangible assets*

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. This estimation is based on the contractual terms of the intangible assets. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) *Share-based payment expenses*

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Binomial option pricing model (the "Binomial Model") was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Fair value of derivative component of convertible loan

Convertible loan of the Group is presented into the derivative component and the liability component. This requires an initial recognition of the derivative component at its fair value and subsequent measurement at fair value determined by an option pricing model.

In assessing the fair value of the derivative component of convertible loan, the Binomial Model was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the derivative component of convertible loan. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield. Any changes in these assumptions can significantly affect the estimate of the fair value of the derivative component of the convertible loan.

6. TURNOVER

The Group's turnover is as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Provision of ATM services	**9,540**	6,282
Sale of integrated circuits and computer software	**50,965**	70,730
Software development and systems integration services	**6,000**	79,193
	66,505	156,205
Representing:		
Continuing operations	**60,505**	77,012
Discontinued operations *(note 10)*	**6,000**	79,193
	66,505	156,205

7. OTHER INCOME

	2007 ***HK$'000***	2006 *HK$'000*
Fair value gain on investment properties	**350**	–
Gain on deregistration of subsidiaries	**9,080**	–
Gain on disposal of an associate	**–**	2,390
Gain on disposal of investment properties	**1,250**	–
Gain on disposal of property, plant and equipment and prepaid land leases	**2,206**	86
Government grants	**50**	1,690
Interest income	**4,945**	679
Net exchange gains	**5,478**	–
Rental income from investment properties	**374**	362
Value added tax refund	**–**	318
Wavier of amount due to an associate	**–**	9,347
Wavier of other payables	**961**	–
Others	**108**	2,835
	24,802	17,707
Representing:		
Continuing operations	**24,655**	13,994
Discontinued operations *(note 10)*	**147**	3,713
	24,802	17,707

8. FINANCE COSTS

	2007 ***HK$'000***	2006 *HK$'000*
Finance lease charges	**69**	49
Interest on bank loans and overdraft	**1,509**	4,401
Interest on convertible loan *(note 27)*	**11,026**	–
	12,604	4,450
Representing:		
Continuing operations	**12,370**	3,158
Discontinued operations *(note 10)*	**234**	1,292
	12,604	4,450

9. INCOME TAX CREDIT/(EXPENSE)

	Continuing operations		**Discontinued operations**		**Total**	
	2007 ***HK$'000***	2006 *HK$'000*	**2007** ***HK$'000***	2006 *HK$'000*	**2007** ***HK$'000***	2006 *HK$'000*
Current tax – PRC Income tax						
Provision for the year	**–**	–	**–**	(584)	**–**	(584)
Underprovision in prior years	**–**	–	**–**	(148)	**–**	(148)
	–	–	**–**	(732)	**–**	(732)
Deferred tax						
Origination and reversal of temporary differences *(note 30)*	**881**	408	**–**	–	**881**	408
	881	408	**–**	(732)	**881**	(324)

9. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2007 (2006: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

For the year ended 31 December 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC is 33% (2006: 33%). No provision for PRC enterprise income tax has been made as these disposed subsidiaries did not generate any assessable profits arising in the PRC during the period up to the date of disposal (2006: HK$732,000). The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which included the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law will be effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements is immaterial.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2007 ***HK$'000***	2006 *HK$'000*
(Loss)/profit before tax		
Continuing operations	**(30,502)**	(190,364)
Discontinued operations	**3,022**	(9,064)
	(27,480)	(199,428)
Tax at the income tax rate of 17.5% (2006: 17.5%)	**(4,809)**	(34,899)
Tax effect of non-deductible expenses	**11,871**	30,218
Tax effect of non-taxable income	**(5,935)**	(5,664)
Tax effect of unused tax losses not recognised	**–**	10,326
Utilisation of tax losses	**(116)**	(4)
Underprovision in prior years	**–**	148
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,892)**	199
Income tax (credit)/expense	**(881)**	324

10. DISCONTINUED OPERATIONS

Disposal of the systems integration services (the "SI operations")

In January 2007, the Group entered into an equity transfer agreement with an independent third party to dispose of SI operations, Star-tech (Fujian) Software and System Company Limited, Fuzhou Start Medical System Company Limited and Start-tech (Guangzhou) Medical Systems Company Limited, collectively the SI Companies, at a consideration of HK$14,330,000. The disposal of SI operations was consistent with the Group's long-term policy to focus its activities on the ATM business. The disposal was completed in February 2007 and the Group discontinued its SI operations.

The gain/(loss) for the year from the discontinued operations is analysed as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Loss of discontinued operations	**(2,809)**	(8,638)
Gain on disposal of subsidiaries/(loss) on partial disposal of a subsidiary interest to a minority shareholder	**5,831**	(1,158)
	3,022	(9,796)

10. DISCONTINUED OPERATIONS *(Continued)*

Disposal of the systems integration services (the "SI operations") *(Continued)*

The results of the SI operations for the period from 1 January 2007 to 28 February 2007 which have been included in the consolidated income statement, are as follows:

	Period from 1/1/2007 to 28/2/2007	Year ended 31/12/2006
	HK$'000	*HK$'000*
Turnover	**6,000**	79,193
Cost of sales	**(4,802)**	(54,608)
Gross profit	**1,198**	24,585
Other income	**147**	3,713
Gain on disposal of subsidiaries/(loss) on partial disposal of a subsidiary interest to a minority shareholder	**5,831**	(1,158)
Selling and distribution expenses	**(1,621)**	(5,514)
Administrative expenses	**(2,253)**	(12,447)
Finance costs	**(234)**	(1,292)
Other operating expenses	**(46)**	(2,347)
Share of losses of an associate	**–**	(184)
Impairment losses on non-current assets held for sale	**–**	(14,420)
Profit/(loss) before tax	**3,022**	(9,064)
Income tax expense	**–**	(732)
Profit/(loss) for the period/year	**3,022**	(9,796)

During the year, the disposed subsidiaries paid approximately HK$9,537,000 (2006: HK$5,961,000) in respect of operating activities, paid approximately HK$Nil (2006: HK$443,000) in respect of investing activities and paid approximately HK$Nil (2006: HK$13,158,000) in respect of financing activities.

No tax charge or credit arose on loss on disposal of the discontinued operations.

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2007 ***HK$'000***	2006 *HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**4,825**	2,915
Auditor's remuneration	**1,683**	1,562
Cost of inventories sold	**55,295**	124,717
Depreciation	**8,514**	7,213
Exchange (gains)/losses, net	**(5,478)**	372
Fair value gain on investment properties	**(350)**	–
Gain on deregistration of subsidiaries	**(9,080)**	–
Gain on disposal of investment properties	**(1,250)**	–
Gain on disposal of property, plant and equipment and prepaid land leases	**(2,206)**	(86)
(Gain) on disposal of subsidiaries/loss on partial disposal of a subsidiary interest to a minority shareholder	**(5,831)**	1,158
Impairment losses on goodwill (included in other operating expenses)	**–**	77,000
Impairment losses on non-current assets held for sale	**–**	14,420
Impairment losses on prepayments for investments (included in other operating expenses)	**500**	32,500
Impairment losses on trade receivables (included in other operating expenses)	**1,648**	29,248
Operating lease charges in respect of land and buildings and ATM deployment	**4,336**	4,030
Rental income from investment properties less direct outgoings of HK$14,000 (2006: HK$14,000)	**(360)**	(348)
Staff costs including directors' emoluments		
Contributions to defined contribution schemes	**797**	1,365
Salaries, wages and other benefits	**21,801**	22,064
Equity settled share-based payments	**278**	3,253
	22,876	26,682
Written off of other receivables	**1,000**	9,234

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees *HK$'000*	Retirement scheme contributions *HK$'000*	Share-based payments *HK$'000*	Total *HK$'000*
Executive directors				
Sze Wai, Marco	1,200	12	–	1,212
Chu Chi Shing	1,365	12	–	1,377
Song Jing Sheng	720	12	–	732
Gu Peijian *(note (a))*	25	1	–	26
Robert Kenneth Gaunt	720	–	–	720
Robertus Martinus Andreas Broers *(note (b))*	1,365	–	–	1,365
Tan Shu Jiang *(note (c))*	666	11	–	677
Non-executive director				
Zee Zin Yee *(note (c))*	444	–	–	444
Independent non-executive directors				
Chong Yiu Kan, Sherman	120	–	–	120
Mao Zhenhua	120	–	–	120
Wong Po Yan	120	–	–	120
Total for 2007	6,865	48	–	6,913

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fees	Retirement scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Sze Wai, Marco	1,200	12	155	1,367
Chu Chi Shing	876	12	310	1,198
Song Jing Sheng	720	12	310	1,042
Gu Peijian *(note (a))*	300	12	155	467
Robert Kenneth Gaunt	27	–	–	27
Robertus Martinus Andreas Broers *(note (b))*	51	–	–	51
Independent non-executive directors				
Chong Yiu Kan, Sherman	120	–	155	275
Mao Zhenhua	120	–	155	275
Wong Po Yan	120	–	155	275
Total for 2006	3,534	48	1,395	4,977

Note: (a) Resigned on 29 January 2007
(b) Resigned on 16 January 2008
(c) Appointed on 29 January 2007

The five highest paid individuals in the Group during the year included three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2006: two) individuals were as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and allowances	**2,400**	1,608
Share-based payments	**278**	165
Retirement benefit scheme contributions	**24**	24
	2,702	1,797

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**2**	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: HK$ Nil). No director has waived or agreed to waive any emoluments during the years ended 31 December 2007 and 2006.

13. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2007 and 2006.

14. (LOSS)/PROFIT PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2006: loss) per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$26,144,000 (2006: HK$202,132,000) and the weighted average number of ordinary shares of 1,633,388,000 (2006: 993,623,000) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2007 and 2006.

14. (LOSS)/PROFIT PER SHARE *(Continued)*

(b) From continuing operations

Basic loss per share

The calculation of basic loss (2006: loss) per share from continuing operations attributable to equity holders of the Company is based on the loss for the year from continuing operations attributable to equity holders of the Company of approximately HK$29,621,000 (2006: HK$189,956,000) and the denominator used is the same as that detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2007 and 2006.

(c) From discontinued operations

Basic profit/(loss) per share

Basic profit (2006: loss) per share from the discontinued operations attributable to equity holders of the Company is based on the profit/(loss) for the year from discontinued operations attributable to the equity holders of the Company of approximately HK$3,477,000 (2006: HK$12,176,000) and the denominator used is the same as those detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2007 and 2006.

15. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group comprises the following main business segments:

Software development and systems integration services:	Development of application software and provision of systems integration services for specific industries.
Sale of integrated circuits and computer software:	Trading of integrated circuits and computer software.
Automatic teller machines services:	Provision of "automatic teller machines" services.

15. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

	Continuing operations						Discontinued operations			
	Sale of integrated circuits and computer software		Automatic teller machines services		Unallocated		Software development & systems integration services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**50,965**	70,730	**9,540**	6,282	**–**	–	**6,000**	79,193	**66,505**	156,205
Other income from external customers	**–**	58	**–**	–	**–**	165	**147**	3,387	**147**	3,610
	50,965	70,788	**9,540**	6,282	**–**	165	**6,147**	82,580	**66,652**	159,815
Segment results	**(817)**	(29,804)	**(17,406)**	(87,688)	**–**	–	**(2,971)**	(5,655)	**(21,194)**	(123,147)
Unallocated operating income and expenses	**–**	–	**–**	–	**–**	–	**–**	–	**6,318**	(70,530)
Loss from operations	**–**	–	**–**	–	**–**	–	**–**	–	**(14,876)**	(193,677)
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**(12,604)**	(4,450)
Share of losses of associates	**–**	–	**–**	(1,117)	**–**	–	**–**	(184)	**–**	(1,301)
Income tax credit/(expense)	**–**	–	**–**	–	**–**	–	**–**	–	**881**	(324)
Minority interests	**–**	–	**–**	–	**–**	–	**–**	–	**455**	(2,380)
Loss attributable to equity holders									**(26,144)**	(202,132)
Impairment losses recognised in income statement	**–**	40,000	**1,648**	78,248	**–**	–	**–**	16,727		
Depreciation and amortisation charge for the year	**311**	208	**12,364**	6,227	**–**	–	**–**	1,412		
Segment assets	**26,660**	37,567	**225,898**	187,967	**–**	–	**–**	89,477	**252,558**	315,011
Interests in associates	**–**	–	**–**	–	**–**	–	**–**	1,329	**–**	1,329
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**228,809**	55,595
Total assets									**481,367**	371,935
Segment liabilities	**(4,247)**	(43,678)	**(12,028)**	(8,597)	**–**	–	**–**	(69,252)	**(16,275)**	(121,527)
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**(67,841)**	(36,022)
Total liabilities									**(84,116)**	(157,549)
Capital expenditure incurred during the year	**–**	1,547	**25,359**	167,809	**564**	85	**–**	375	**25,923**	169,816

15. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in two main geographical areas:

The PRC	–	Software development and systems integration services
	–	Automatic teller machines services
Hong Kong	–	Sale of integrated circuits and computer software

	Continuing operations						**Discontinued operations**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	PRC	PRC	**Hong Kong**	Hong Kong	**Total**	Total	**PRC**	PRC		
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**9,540**	6,282	**50,965**	70,730	**60,505**	77,012	**6,000**	79,193	**66,505**	156,205
Segment assets	**230,642**	185,855	**250,725**	95,274	**481,367**	281,129	**–**	90,806	**481,367**	371,935
Capital expenditure incurred during the year	**25,359**	167,809	**564**	1,632	**25,923**	169,441	**–**	375	**25,923**	169,816

16. INVESTMENT PROPERTIES

	2007	2006
	HK$'000	*HK$'000*
Valuation:		
At 1 January	**8,350**	8,350
Disposal	**(6,000)**	–
Fair value gain	**350**	–
At 31 December	**2,700**	8,350

The investment properties were revalued at 31 December 2007 and 2006 on the open market value basis by reference to market evidence of recent transactions for similar properties by B.I Appraisals Limited, an independent firm of chartered surveyors.

The Group's investment properties are situated in Hong Kong under medium leases.

At 31 December 2007 the investment properties were pledged as security for banking facilities granted to the Group (note 25(a)).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**–**	320

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *HK$'000*	**Leasehold improvements** *HK$'000*	**Plant and machinery** *HK$'000*	**Furniture, fixtures and office equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:						
At 1 January 2006	1,320	2,714	19	8,977	9,627	22,657
Exchange adjustments	–	89	–	279	135	503
Additions	–	109	–	531	1,547	2,187
Acquisition of subsidiaries	–	–	49,810	164	–	49,974
Assets classified as held for sales	–	(1,174)	–	(5,133)	(2,357)	(8,664)
Disposals	–	(119)	–	(358)	(998)	(1,475)
At 31 December 2006	1,320	1,619	49,829	4,460	7,954	65,182
Representing:						
Cost	–	1,619	49,829	4,460	7,954	63,862
Valuation – 2006	1,320	–	–	–	–	1,320
	1,320	1,619	49,829	4,460	7,954	65,182
At 1 January 2007	1,320	1,619	49,829	4,460	7,954	65,182
Exchange adjustments	–	80	4,144	157	84	4,465
Additions	–	2,591	21,284	2,048	–	25,923
Transfer	–	–	84	(84)	–	–
Disposals	(560)	–	–	(68)	–	(628)
Written off	–	(86)	–	(665)	(1,884)	(2,635)
At 31 December 2007	760	4,204	75,341	5,848	6,154	92,307
Representing:						
Cost	–	4,204	75,341	5,848	6,154	91,547
Valuation – 2007	760	–	–	–	–	760
	760	4,204	75,341	5,848	6,154	92,307

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings held for own use *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Accumulated depreciation:						
At 1 January 2006	–	2,029	–	5,590	7,063	14,682
Exchange adjustments	–	62	–	155	71	288
Charge for the year	39	647	3,561	1,209	1,757	7,213
Assets classified as held for sale	–	(1,035)	–	(2,915)	(1,495)	(5,445)
Written back on disposals	–	(84)	–	(299)	(998)	(1,381)
At 31 December 2006	39	1,619	3,561	3,740	6,398	15,357
At 1 January 2007	39	1,619	3,561	3,740	6,398	15,357
Exchange adjustments	–	68	257	135	73	533
Charge for the year	30	420	7,194	332	538	8,514
Transfer	–	–	6	(6)	–	–
Written back on disposals	(27)	–	–	(68)	–	(95)
Written off	–	(86)	–	(665)	(1,884)	(2,635)
At 31 December 2007	42	2,021	11,018	3,468	5,125	21,674
Carrying amount:						
At 31 December 2007	718	2,183	64,323	2,380	1,029	70,633
At 31 December 2006	1,281	–	46,268	720	1,556	49,825

The Group's buildings held for own use in Hong Kong were revalued at 31 December 2007 and 2006 by an independent firm of surveyors, B.I. Appraisals Limited, on an open market value basis.

The carrying amount of the Group's buildings held for own use at 31 December 2007 would have been approximately HK$635,310 (2006: HK$1,228,000) had they been stated at cost less accumulated depreciation and impairment losses.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2007 the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK$1,029,000 (2006: HK$1,341,000).

At 31 December 2007 the Group's buildings held for own use were pledged as security for banking facilities granted to a former related company (note 36).

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments are analysed as follows:

	2007 ***HK$'000***	2006 *HK$'000*
In Hong Kong		
– long leases	**2,158**	4,318

At 31 December 2007 the Group's prepaid land lease payments were pledged as security for banking facilities granted to a former related company (note 36).

19. GOODWILL

	HK$'000
Cost:	
Arising on acquisition of subsidiaries, at 31 December 2006 and 1 January 2007	**122,629**
Exchange adjustments	**8,866**
At 31 December 2007	**131,495**
Accumulated impairment losses:	
Impairment losses recognised in the year ended 31 December 2006 and at 1 January 2007	**(77,000)**
Exchange adjustments	**(5,567)**
At 31 December 2007	**(82,567)**
Carrying amount:	
At 31 December 2007	**48,928**
At 31 December 2006	**45,629**

Goodwill arose in the business combination because the consideration paid for the combination effectively included amounts in relation to the benefits of expected revenue growth and future market development. The goodwill arising from the business combination is wholly allocated to the ATM business segment for impairment test. The recoverable amounts of the goodwill are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the ATM business. The growth rates are based on long-term average economic growth rate of the geographical area in which the ATM business operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the ATM business in which it operates. The rate used to discount the cash flow forecasts of the ATM business is 17%.

19. GOODWILL *(Continued)*

The directors of the Company are of the opinion that based on the forecasts, the recoverable amounts of the goodwill arising from the acquisition of subsidiaries exceed their carrying amount in the consolidated balance sheet as at 31 December 2007, and therefore no further impairment loss was recognised.

20. INTANGIBLE ASSETS

	Computer software *HK$'000*	**Customer contracts** *HK$'000*	**Total** *HK$'000*
Cost:			
At 1 January 2006	8,651	–	8,651
Acquired on acquisition of subsidiaries	–	45,000	45,000
Exchange adjustments	303	–	303
Assets classified as held for sale	(8,954)	–	(8,954)
At 31 December 2006 and 1 January 2007	–	45,000	45,000
Exchange adjustments	–	3,254	3,254
At 31 December 2007	–	48,254	48,254
Accumulated amortisation and impairment losses:			
At 1 January 2006	7,182	–	7,182
Amortisation for the year	290	2,625	2,915
Exchange adjustments	238	–	238
Assets classified as held for sale	(7,710)	–	(7,710)
At 31 December 2006 and 1 January 2007	–	2,625	2,625
Amortisation for the year	–	4,825	4,825
Exchange adjustments	–	190	190
At 31 December 2007	–	7,640	7,640
Carrying amount:			
At 31 December 2007	–	40,614	40,614
At 31 December 2006	–	42,375	42,375

The Group's intangible assets represent the customer contracts of Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd.. The average remaining amortisation period of the customer contracts is 9 years. (2006: 10 years)

21. INTERESTS IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	–	793
Amount due from an associate	–	927
	–	1,720
Impairment losses	–	(1,720)
	–	–

Summarised financial information in respect of the Group's associates is set out below:

	Assets	**Liabilities**	**Equity**	**Share of associates' net assets**	**Revenue**	**Loss**	**Share of associates' loss**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007	–	–	–	–	–	–	–
2006	5,568	2,209	3,359	–	–	(91)	(1,301)

22. TRADE AND OTHER RECEIVABLES

	Note	**2007**	2006
		HK$'000	*HK$'000*
Accounts receivable	*(a)*	**5,961**	9,988
Prepayments, deposits and other receivables		**51,193**	10,780
		57,154	20,768

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

(a) Included in trade and other receivables are accounts receivable (net of allowance for impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2007 ***HK$'000***	2006 *HK$'000*
Current	**4,147**	7,147
1 to 3 months overdue	**1,814**	2,841
	5,961	9,988

Credit terms granted by the Group to the customers generally range from 30 days to 150 days. Accounts receivable with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

Included in trade and other receivables are the following amounts denominated in foreign currencies:

	2007 ***'000***	2006 *'000*
Renminbi	**196**	4,605
United States dollars	**649**	1,281

(b) The movements in the allowance for impairment losses of trade receivables are as follows:

	2007 ***HK$'000***	2006 *HK$'000*
At 1 January	**34,755**	5,507
Impairment loss recognised	**1,648**	29,248
Exchange adjustments	**90**	–
At 31 December	**36,493**	34,755

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

(b) *(Continued)*

The allowance for impairment losses was made for the impaired trade receivables which were mainly related to past due payments from customers, and the management considered that these trade receivables are irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2007, trade receivables of approximately HK$1,814,000 (2006: HK$2,841,000) were past due but not impaired. This was related to an independent customer with no recent history of default. The ageing analysis of the trade receivables is as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Up to 3 months	**1,814**	2,841

23. CASH AND CASH EQUIVALENTS

	2007 ***HK$'000***	2006 *HK$'000*
Bank and cash balances	**229,534**	92,348
Bank overdraft *(note 25)*	**–**	(14,833)
	229,534	77,515
Cash and cash equivalents included in the disposal group held for sale	**–**	18,476
Cash and cash equivalents in the consolidated cash flow statement	**229,534**	95,991

Included in bank and cash balances is amount of approximately HK$58,056,000 at 31 December 2007 (2006: HK$67,881,000) denominated in Renminbi ("RMB"). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE AND OTHER PAYABLES

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Accounts payable	*(a)*	**611**	–
Bills payable	*(a)*	**5,556**	4,191
Deposit received for disposal of SI Companies		**–**	13,000
Other payables and accrued expenses		**7,712**	12,481
Amount due to a director		**458**	–
		14,337	29,672

Note:

(a) Included in trade and other payables are accounts payable and bills payable with the following ageing analysis as of the balance sheet date:

	2007 ***HK$'000***	2006 *HK$'000*
Due within 3 months or on demand	**5,714**	4,191
Overdue 3 months to 1 year	**453**	–
	6,167	4,191

(b) Included in trade and other payables are the following amounts denominated in foreign currencies:

	2007 ***'000***	2006 *'000*
Renminbi	**1,129**	1,825
United States dollars	**413**	537

25. BANK LOANS AND OVERDRAFT

	2007	2006
	HK$'000	*HK$'000*
Secured bank overdraft *(note 23)*	**–**	14,833
Bank loans – secured	**–**	30,903
	–	45,736

At 31 December 2006 all loans and overdraft were repayable within one year or on demand. The interest rates of the above loans and overdraft are as follows:

	2007	2006
Secured bank overdraft :	**N/A**	5% – 8%
Bank loans :	**N/A**	5% – 8%

Included in bank loans and overdraft are the following amounts denominated in foreign currency:

	2007	2006
	'000	*'000*
United States dollars	**–**	3,962

At 31 December 2007 the Group had banking facilities totalling HK$67,000,000 (2006: HK$87,000,000) of which HK$67,000,000 (2006: HK$67,000,000) was secured by the following:

(a) Mortgages over the Group's investment properties at 31 December 2007 and 2006.

(b) A charge over the Group's fixed deposits with banks of HK$29,646,000 at 31 December 2007 (2006: HK$17,516,000).

(c) Corporate guarantee given by the Company.

The banking facilities were utilised to the extent of HK$4,857,000 at 31 December 2007 (2006: HK$75,071,000).

26. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**565**	565	**536**	496
In the second to fifth years, inclusive	**93**	659	**93**	630
	658	1,224	**629**	1,126
Less: Future finance charges	**(29)**	(98)	**–**	–
Present value of lease obligations	**629**	1,126	**629**	1,126
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(536)**	(496)
Amount due for settlement after 12 months			**93**	630

The lease term is three years. At 31 December 2007, the effective borrowing rate was 3.18% (2006: 3.18%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

27. CONVERTIBLE LOAN

On 14 November 2006 the Company entered into a Subscription Agreement and a Loan Agreement with a shareholder of the Company for the issue of a three-year 8% coupon convertible loan with a nominal value of HK$62,400,000. The convertible loan is convertible at the option of the holder into fully paid ordinary shares with a par value of HK$0.1 each of the Company on or after 5 February 2007 up to and including 4 February 2010 at an initial conversion price of HK$0.26 per share.

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of that component at year-end date was recognised in the income statement. The residual amount is assigned as the liability component.

	2007 ***HK$'000***
Nominal value of convertible loan notes issued	**62,400**
Derivative component	**(31,887)**
Liability component at date of issue	**30,513**
Interest charged *(note 8)*	**11,026**
Liability component at 31 December 2007	**41,539**
Derivative component at date of issue	**31,887**
Fair value gain for the year	**(11,921)**
Derivative component at 31 December 2007	**19,966**

The interest charged for the year is calculated by applying an effective interest rate of 40 per cent to the liability component for the eleven-month period since the loan was issued.

The directors estimate the fair value of the liability component of the convertible loan at 31 December 2007 to be approximately HK$67,888,000. This fair value has been calculated by discounting the future cash flows at the market rate.

28. EMPLOYEE RETIREMENT BENEFITS

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the consolidated income statement during the year amounted to HK$280,000 (2006: HK$139,000).

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 17% to 33% (2006: 14% to 25%) of the standard wages determined by the relevant authorities in the PRC.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes as at 31 December 2007 amounted to HK$517,000 (2006: HK$1,226,000).

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted for a period of ten years, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Pursuant to a resolution of an annual general meeting held on 30 June 2006, the total number of shares in respect of which options may be granted under the New Scheme and any other operative share option schemes of the Company is not permitted to exceed 10% of the aggregate nominal amount of the issued shares of the Company as at 30 June 2006. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The offer for a grant of share options of the New Scheme may be accepted with 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and in any event not later than 10 years from the date of grant of share options subject to the provisions for early termination thereof.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options shall not be lower than the highest of (i) the nominal value of the shares; (ii) the closing price of the shares on the Stock Exchange's daily quotations sheet on the date of offer of the options, which must be a trading day; and (iii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

At 31 December 2007, there were 27,661,736 share options granted which remained outstanding under the New and Old Schemes. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 27,661,736 additional ordinary shares of the Company and additional share capital of HK$2,766,174 and share premium of approximately HK$8,200,000 (before share issue expenses).

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

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

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

					Number of share options						
Grantee	**Date granted**	**Exercisable period**	*Note*	**Exercise price of options** *(note a, k)* *HK$*	**Outstanding at 1.1.2007**	**Adjustment** *(note k)*	**Outstanding at 1.1.2007** *(restated)*	**Granted during the year**	**Exercised during the year**	**Lapsed during the year** *(note l)*	**Outstanding at 31.12.2007**
Old Scheme											
Directors											
Chu Chi Shing	16 Jun 1999	10 years	*(b, k)*	0.806	2,100,000	713,861	2,813,861	–	–	–	2,813,861
	28 Dec 1999	10 years	*(d, k)*	0.985	200,000	67,987	267,987	–	–	–	267,987
	14 May 2001	10 years	*(e, k)*	0.433	200,000	67,987	267,987	–	–	–	267,987
Sze Wai, Marco	14 May 2001	10 years	*(e, k)*	0.433	3,500,000	1,189,769	4,689,769	–	–	–	4,689,769
Former director											
Chiu Chi Shun, Clarence	14 May 2001	10 years	*(e, k)*	0.433	3,500,000	1,189,769	4,689,769	–	–	(4,689,769)	–
Employees	16 Jun 1999	10 years	*(b, k)*	0.806	2,881,000	979,350	3,860,350	–	–	(2,813,861)	1,046,489
	20 Dec 1999	10 years	*(c, k)*	0.843	100,000	33,993	133,993	–	–	–	133,993
	28 Dec 1999	10 years	*(d, k)*	0.985	650,000	220,957	870,957	–	–	(870,957)	–
	03 Jan 2000	10 years	*(c, k)*	1.075	560,000	190,363	750,363	–	–	(53,597)	696,766
	28 Feb 2000	10 years	*(c, k)*	1.537	40,000	13,597	53,597	–	–	(53,597)	–
	21 Jul 2000	10 years	*(c, k)*	0.851	200,000	67,987	267,987	–	–	(267,987)	–
	14 May 2001	10 years	*(e, k)*	0.433	1,750,000	594,884	2,344,884	–	–	–	2,344,884
New Scheme											
Directors											
Chu Chi Shing	31 Oct 2006	10 years	*(h)*	0.250	2,000,000	–	2,000,000	–	–	–	2,000,000
Song Jing Sheng	31 Oct 2006	10 years	*(h)*	0.250	2,000,000	–	2,000,000	–	–	–	2,000,000
Sze Wai, Marco	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000	–	–	–	1,000,000

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

					Number of share options						
Grantee	**Date granted**	**Exercisable period**	*Note*	**Exercise price of options** *(note a, k)* *HK$*	**Outstanding at 1.1.2007**	**Adjustment** *(note k)*	**Outstanding at 1.1.2007** (restated)	**Granted during the year**	**Exercised during the year**	**Lapsed during the year** *(note l)*	**Outstanding at 31.12.2007**
Former director											
Gu Peijian (resigned on 29 January 2007)	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000	–	(500,000)	–	500,000
Independent Non-executive directors											
Chong Yiu Kan, Sherman	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000	–	(500,000)	–	500,000
Mao Zhenhua	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000	–	–	–	1,000,000
Wong Po Yan	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000	–	–	–	1,000,000
Employees and Consultants											
Employees	20 Mar 2006	10 years	*(f)*	0.122	36,560,000	–	36,560,000	–	(34,560,000)	–	2,000,000
	04 Oct 2006	10 years	*(g)*	0.213	3,000,000	–	3,000,000	–	–	–	3,000,000
	02 Jan 2007	10 years	*(i)*	0.285	–	–	–	2,400,000	–	–	2,400,000
Consultants	20 Mar 2006	10 years	*(f)*	0.122	7,000,000	–	7,000,000	–	(7,000,000)	–	–
	04 Oct 2006	10 years	*(g)*	0.213	8,000,000	–	8,000,000	–	(8,000,000)	–	–
					79,241,000	5,330,504	84,571,504	2,400,000	(50,560,000)	(8,749,768)	27,661,736

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Note:

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

(b) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 2 October 1999 and that the options may not be exercised in respect of more than 10%, 30%, 60% and 90% of the options prior to the dates of 2 January 2000, 2 January 2001, 2 January 2002 and 2 July 2002 respectively. The exercise price and number of outstanding share options have been adjusted due to the completion of the rights issue with effect from 23 March 2006 (note k).

(c) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 2 January 2001 and that the options may not be exercised in respect of more than 30% and 60% prior to the dates of 2 January 2002 and 2 January 2003 respectively. The exercise price and number of outstanding share options have been adjusted due to the completion of the rights issue with effect from 23 March 2006 (note k).

(d) All of these options have duration of 10 years from the date of grant, provided that the options can only be exercised from the date of 1 February 2001. The exercise price and number of outstanding share options have been adjusted due to the completion of the rights issue with effect from 23 March 2006 (note k).

(e) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 1 October 2001 and that the options may not be exercised in respect of more than 40% and 70% prior to the dates of 2 January 2002 and 2 January 2003 respectively. The exercise price and number of outstanding share options have been adjusted due to the completion of the rights issue with effect from 23 March 2006 (note k).

(f) All of these options have duration of 10 years from the date of grant and the options can be exercised from the date of grant.

(g) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 4 April 2007 and that the options may not be exercised in respect of more than 50% prior to 4 October 2007 respectively.

(h) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 1 May 2007 and that the options may not be exercised in respect of more than 50% prior to 1 November 2007 respectively.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Note: (Continued)

(i) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 2 January 2008 and that the options may not be exercised in respect of more than 1/3 portion and 2/3 portion prior to the dates of 2 January 2009 and 2 January 2010 respectively.

(j) The average closing price of the shares in the Stock Exchange for the five trading days immediately preceding the dates of grant on 2 January 2007 is HK$0.280.

(k) As a result of the completion of the Rights Issue on 23 March 2006, the outstanding share options granted and the exercise price thereof were adjusted as below:

		Option			**Exercise price**	
Date granted	*Note*	**Before Adjustment**	**Adjustment**	**After adjustment**	**Before adjustment**	**After adjustment**
					HK$	*HK$*
16 Jun 1999	*(b)*	4,981,000	1,693,211	6,674,211	1.080	0.806
20 Dec 1999	*(c)*	100,000	33,993	133,993	1.130	0.843
28 Dec 1999	*(d)*	850,000	288,944	1,138,944	1.320	0.985
03 Jan 2000	*(c)*	560,000	190,363	750,363	1.440	1.075
28 Feb 2000	*(c)*	40,000	13,597	53,597	2.060	1.537
21 Jul 2000	*(c)*	200,000	67,987	267,987	1.140	0.851
14 May 2001	*(e)*	8,950,000	3,042,409	11,992,409	0.580	0.433

(l) By the resolution passed on 23 February 2007, it was resolved that the options granted to the resigned share options holders, which are not yet exercised, were lapsed on that day.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The number and weighted average exercise price of the share options are as follows:

	2007		2006	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		HK$		*HK$*
Outstanding at the beginning of the year	**79,241,000**	**0.284**	15,681,000	0.824
Adjusted due to rights issue	**5,330,504**	**–**	–	–
Granted during the year	**2,400,000**	**0.285**	64,060,000	0.151
Lapsed during the year	**(8,749,768)**	**0.631**	–	–
Exercised during the year	**(50,560,000)**	**0.139**	(500,000)	0.122
Outstanding at the end of the year	**27,661,736**	**0.396**	79,241,000	0.284
Exercisable at the end of the year	**25,261,736**	**0.407**	59,241,000	0.308

The weighted average share price at the exercise date of the share options during the year was HK$0.62. The options outstanding at the end of the year have a weighted average remaining contractual life of 6.08 years (2006: 8.27 years) and the exercise prices range from HK$0.122 to HK$1.075 (2006: HK$0.122 to HK$2.06).

The fair value of options granted during the year determined at the grant dates using the Binomial Option Pricing Model was approximately HK$466,000. The significant inputs into the model were as follows:

	2 January 2007
Option value	HK$0.194
Total fair value	HK$466,000
Share price at date of grant	HK$0.280
Exercisable price	HK$0.285
Expected volatility	84%
Risk-free interest rate	3.724%
Suboptimal exercise factor	2.75
Dividend yield	0%

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The expected volatility was determined by calculating the historical volatility of the Company's share price from the date of listing to grant dates. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total share-based compensation costs recognised during the year amounted to approximately HK$278,000 (2006: HK$4,533,000).

30. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Intangible assets	**Revaluation of properties**	**Other temporary differences**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:				
At 1 January 2006	–	572	3,472	4,044
Intangible assets arising on acquisition of subsidiaries	7,875	–	–	7,875
Charged (back)/to consolidated income statement *(note 9)*	(459)	–	51	(408)
Classified as held for sale	–	–	(321)	(321)
Exchange adjustments	–	–	141	141
At 31 December 2006	7,416	572	3,343	11,331
At 1 January 2007	7,416	572	3,343	11,331
Charged back consolidated income statement *(note 9)*	(844)	(37)	–	(881)
Charged back due to deregistration of subsidiaries	–	–	(3,584)	(3,584)
Exchange adjustments	538	–	241	779
At 31 December 2007	7,110	535	–	7,645

The Group has not recognised deferred tax assets in respect of tax losses of HK$99,050,000 (2006: HK$99,713,000) available for offset against future profits due to the unpredictability of future profits streams. The tax losses do not expire under current tax legislation.

31. SHARE CAPITAL

		2007		2006	
	Note	**No. of shares *'000***	**Amount *HK$'000***	No. of shares *'000*	Amount *HK$'000*
Authorised:					
Ordinary shares of HK$0.1 each		**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:					
At 1 January		**1,367,788**	**136,778**	528,644	52,864
Issue of rights issues		–	–	528,644	52,864
Issue of new shares	*(a)*	**264,860**	**26,486**	310,000	31,000
Exercise of share options	*(b)*	**50,560**	**5,056**	500	50
Exercise of warrants	*(c)*	**158,077**	**15,808**	–	–
At 31 December		**1,841,285**	**184,128**	1,367,788	136,778

Note:

(a) On 13 June 2007, the Company issued 264,860,000 new shares at the subscription price of HK$0.65 each. In accordance with the planned usage, the net proceeds from the share issue of approximately HK$163 million were applied as to approximately HK$40 million to finance the deployment of ATMs, approximately HK$100 million to finance the expansion of the ATM business by way of acquisitions and the balance of approximately HK$23 million for working capital of the Group for ATM business. The excess of the issued price over the par value of the shares issued during the year has been credited to share premium account of the Company.

(b) During the year, 50,560,000 share options had been exercised to provide additional working capital. The premium on exercise of share options totalling to approximately HK$1,968,000 was credited to share premium account of the Company.

(c) During the year, 158,077,000 warrants had been exercised to provide additional working capital. The premium on exercise of warrants totalling to approximately HK$28,442,000 was credited to share premium account of the Company.

(d) All the shares issued by the Company rank pari passu and do not carry pre-emptive right.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes convertible loan disclosed in note 27 to the financial statements and equity attributable to equity holders of the Company, comprising issued share capital, share premium and reserves.

31. SHARE CAPITAL *(Continued)*

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

32. RESERVES

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

(b) Nature and purposes of reserves

(i) Share premium

Under the Companies Act 1981 of Bermuda (as amended), the funds in the share premium account are distributable in the form of fully paid bonus shares.

(ii) General reserve

According to the relevant rules and regulations in the PRC, the Group's subsidiaries in the PRC should appropriate part of their profits after tax to general reserve, which can be used to make good losses and to convert into paid-up capital.

(iii) Share option reserve

Share option reserve represents the fair value of the outstanding share options granted to executive directors, employees, non-executive directors, any suppliers and customers of the Company and any of its subsidiaries and any invested entity recognised in accordance with the accounting policy adopted for share based payments.

(iv) Translation reserve

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries and associates operating outside Hong Kong.

(v) Warrants reserve

Warrants reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon the exercise of the warrants.

(vi) Buildings revaluation reserve

The buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for revaluation of buildings held for own use.

33. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) As stated in note 10 to the financial statements, in February 2007 the Group discontinued its SI operations together with the interests in the other companies held by each of the SI Companies. Pursuant to entering into the equity transfer agreement with an independent third party in January 2007, the net assets of the SI Companies at the date of disposal were as follows:

	2007 *HK$'000*
Net assets of:	
Inventories	**6,943**
Property, plant and equipment	**363**
Intangible fixed assets	**140**
Interests in associates	**1,329**
Accounts receivable	**49,301**
Prepayments, deposits and other receivables	**25,051**
Cash and cash equivalents	**8,941**
Accounts payable	**(14,617)**
Other payables and accrued expenses	**(38,385)**
Loans and overdraft	**(20,000)**
Deferred tax liabilities	**(321)**
	18,745
Minority interests	**(6,768)**
Gain on disposal of subsidiaries	**5,831**
Release of translation reserve	**(3,478)**
	14,330
Satisfied by:	
Cash received	**14,330**
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:	
Cash consideration	**1,330**
Cash and cash equivalents of the subsidiaries disposed	**(8,941)**
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	**(7,611)**

33. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(b) The net liabilities of the business deregistered at the date of deregistration were as follows:

	2007 ***HK$'000***
Net liabilities of:	
Other payables and accrued expenses	**(620)**
Currcent tax liabilities	**(463)**
Deferred tax liabilities	**(3,584)**
	(4,667)
Gain on deregistration of subsidiaries	**9,080**
Release of translation reserve	**(4,413)**
	–

34. NON-CASH TRANSACTIONS

During the year ended 31 December 2007, the Group disposed of SI operations at a consideration of HK$14,330,000, in which HK$13,000,000 was received in last year as deposit.

35. COMMITMENTS

(a) Lease commitments

At 31 December 2007 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**4,705**	1,816
In the second to fifth years inclusive	**5,896**	307
After five years	**21**	–
	10,622	2,123

Operating lease payments represent rentals payable by the Group for its offices and ATM deployment. Leases are negotiated for a range of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Capital commitments

The Group's capital commitments at the balance sheet date are as follows:

	2007	2006
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**532**	12,011

36. CONTINGENT LIABILITIES

The Group's land and buildings held for own use with an aggregate carrying value of HK$2,876,000 (2006: HK$5,599,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK$5,000,000 (2006: HK$6,000,000) granted to a former related company. As at 31 December 2007, the amount of the facilities utilised was HK$2,533,000 (2006: HK$5,984,000).

At 31 December 2007, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK$1,638,000 (2006: HK$5,148,000).

37. MATERIAL RELATED PARTY TRANSACTIONS

(a) A list of related parties and their relationships with the Group are as follows:

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group has the following material transactions during the year ended 31 December 2007 with related parties in which a director or shareholder of the Group is in a position to exercise significant influence:

		2007	2006
	Note	***HK$'000***	*HK$'000*
Trading transactions			
Purchases from an associate	*(a)*	**–**	3,971
Sales to an associate	*(b)*	**–**	200
Non-trading transactions			
Waiver of amount due to an associate	*(c)*	**–**	9,347
Assignment of loan	*(d)*	**–**	1,000
Impairment loss on amount due from a shareholder	*(e)*	**–**	3,145
Impairment loss on amount due from an associate	*(f)*	**–**	927
Convertible loan interest payable to a shareholder	*(g)*	**4,513**	–
Convertible loan issued by the Company to a shareholder	*(h)*	**62,400**	–

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) The amount represented purchases of a system integration contract from an associate at an agreed contract price.

(b) The amount represented sales of a system integration contract to an associate at an agreed contract price.

(c) This represented gain on waiver of amount due to an associate.

(d) The amount represented a loan assigned from an associate to the Company at nil consideration.

(e) The amount represented impairment loss on amount due from a shareholder.

(f) The amount represented impairment loss on amount due from an associate.

(g) The amount represented 8% coupon convertible loan interest payable to a shareholder.

(h) The amount represented a 8% coupon convertible loan issued to a shareholder.

Except for note (d) above, the directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Included in the prepayments, deposits, and other receivables and other payables and accrued expenses are the following balances with related parties:

	2007 ***HK$'000***	2006 *HK$'000*
Included in the prepayments, deposits, and other receivables:		
Directors		
– Chu Chi Shing	**–**	21
– Sze Wai, Marco	**–**	678
Shareholder		
– Sky Regal Investments Limited	**1,500**	–
	1,500	699
Included in the other payables and accrued expenses:		
A director		
– Sze Wai, Marco	**458**	–
Ex-directors	**–**	807
	458	807

The above amounts due are interest free, unsecured and with no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	2007 ***HK$'000***	2006 *HK$'000*
Short term employee benefits	**9,265**	4,662
Share-based payment	**278**	1,560
Post-employment benefits	**72**	60
	9,615	6,282

38. POST BALANCE SHEET EVENT

On 4 March 2008, Leading Value Industrial Limited ("LV") and Customers Asia Limited ("CAL"), shareholders of the Company, and the holding company of CAL, Customers Limited jointly entered into a Sale and Purchase Agreement (the "Agreement"). Pursuant to the terms of the Agreement, CAL would sell (i) 210,000,000 shares which represented approximately 11.41% of the entire issued share capital of the Company; and (ii) would sell the entire convertible loan totalling HK$62.4 million to LV.

39. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Win Perfect Limited	British Virgin Islands ("BVI")	100	–	US$11,000	Investment holding
Futart Industry Company Limited	BVI	100	–	US$10,000	Dormant
Stepping Stones Limited	BVI	–	100	US$11,000	Investment holding
Kayford Investment Limited	BVI	–	100	US$1	Investment holding
Emperor Dragon International Limited	BVI	–	100	US$500	Investment holding
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK$100,000	Sale of integrated circuits and computer software
Fortune Jet International Limited	Hong Kong	–	100	HK$10,000,000	Investment holding
Regal Harbour Limited	Hong Kong	–	100	HK$2	Property holding

39. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Fortune Years Limited	Hong Kong	–	100	HK$2	Dormant
Start Technology (Beijing) Co., Ltd. *(note a)*	PRC	–	100	RMB10,000,000	Dormant
Fujian Start Information Facility Co., Ltd. *(note a)*	PRC	–	100	RMB21,000,000	Dormant
Beijing Sun Leader Technology Co., Ltd. *(note a)*	PRC	–	100	RMB20,000,000	Provision of ATMs services
Loten Technology Co., Ltd. *(note a)*	PRC	–	100	RMB50,000,000	Dormant
Shenzhen FinTronics Information Services Ltd. *(note b)*	PRC	–	100	RMB5,000,000	Provision of ATMs services
FinTronics (Shanghai) Technology Co., Ltd. *(note a)*	PRC	–	100	RMB10,000,000	Not yet commenced business

Note:

(a) These are wholly foreign-owned companies established in the PRC.

(b) This is a domestic limited liability company established in the PRC.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 April 2008.

Five Years Financial Summary

For the year ended 31 December 2007

	2007 ***HK$'000***	2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000*	2003 *HK$'000*
Results					
Turnover	**66,505**	156,205	239,506	291,041	154,882
(Loss)/profit from ordinary activities before tax	**(27,480)**	(199,428)	(74,559)	14,265	(1,620)
Income tax credit/(expense)	**881**	(324)	(1,727)	(2,780)	(3,112)
(Loss)/profit from ordinary activities after tax	**(26,599)**	(199,752)	(76,286)	11,485	(4,732)
Minority interests	**455**	(2,380)	(1,954)	(3,378)	(5,436)
(Loss)/profit attributable to equity holders	**(26,144)**	(202,132)	(78,240)	8,107	(10,168)
Assets and liabilities					
Fixed assets	**75,491**	62,493	20,647	76,573	43,476
Construction in progress	**–**	–	–	11,330	1,969
Goodwill	**48,928**	45,629	–	–	–
Intangible assets	**40,614**	42,375	1,469	1,157	872
Interests in associates	**–**	–	79,789	15,715	–
Interests in jointly controlled entities	**–**	–	–	–	23,080
Investment funds	**–**	–	141,322	33,486	19,336
Pledged deposits	**29,646**	17,516	17,516	17,516	17,516
Deferred tax assets	**–**	–	–	137	121
Net current assets	**251,849**	58,334	8,383	217,435	214,416
Total assets less current liabilities	**446,528**	226,347	269,126	373,349	320,786
Non-current liabilities	**(49,277)**	(11,961)	(4,044)	(2,832)	(1,652)
	397,251	214,386	265,082	370,517	319,134
Share capital	**184,128**	136,778	52,864	52,864	44,064
Reserves	**213,123**	70,385	208,533	284,842	255,347
Minority interests	**–**	7,223	3,685	32,811	19,723
	397,251	214,386	265,082	370,517	319,134
(Loss)/profit per share (cents)					
Basic	**(1.60)**	(20.34)	(13.09)	1.6	(2.3)
Diluted	**N/A**	N/A	N/A	N/A	N/A