

# Notes to the Financial Statements

For the year ended 31 December 2006

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 23 December 1997 as an exempted company with limited liability under the Companies Act 1981 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 43 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 Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. 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 not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by 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 and investment properties 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 management 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.

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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Consolidation *(Continued)*

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 equity holders 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.

### (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 initially 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combination and goodwill *(Continued)*

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.

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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Associates *(Continued)*

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 income statement.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 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 recognized 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 property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 annual rates or 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  | 10 years  |
| – Furniture, fixtures and office equipment   | 3-5 years |
| – Motor vehicles   | 3-8 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (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.

### (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.

Computer software is measured initially at purchase cost and is amortised on a straight line basis over its estimated useful lives of four to six years.



# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (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 over their estimated useful lives.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 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. Management 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 in accordance with HKFRS 5, 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) System integration contracts

When the outcome of a system 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 system integration contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

System 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) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(m) 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.

### **(n) 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.

### **(o) 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.

### **(p) 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.

### **(q) Equity instruments**

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) 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.

Revenue from individual system integration contract 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 system 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) 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 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.

### (t) Share based payments

For share options granted before 7 November 2002 and/or vested before 1 January 2005, no expenses are recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received are allocated to share capital and share premium.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Share based payments *(Continued)*

For share options granted after 7 November 2002 and vested after 1 January 2005, the fair value of share options granted is recognised as employee benefit expenses with a corresponding increase in share option reserve. The fair value (excluding the effect of non market-based vesting conditions) is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period on a straight line basis, taking into account the probability that the options will vest.

During the vesting period, the number of share options that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (where it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

### (u) 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) 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 are 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.

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 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.



# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) Taxation *(Continued)*

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.

### (w) 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 its 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (x) 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 as the secondary reporting format.

Segment revenue, expenses, results, 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.

### (y) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (y) Impairment of assets *(Continued)*

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.

### (z) 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (aa) 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 and interest rate 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

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi ("RMB"). The exchange rates between RMB and Hong Kong dollars remain relatively stable. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Credit risk

The Group's maximum exposure to credit risk in the event of counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated responsibility for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 4. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. Individuals operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the shorter and longer term.

### (d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from short term interest-bearing borrowings and obligations under finance leases. At 31 December 2006, 39% of the Group's borrowings were at fixed rates which expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The directors are of the opinion that the aforesaid risks are not material to the Group.

### (e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate to their fair values.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 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) *Revenue and profit recognition*

Revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the systems integration contract, as well as the work done to date. Based on the Group's recent experience and the nature of the systems integration activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

#### (b) *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. Management 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.

#### (c) *Impairment test of assets*

The Group's determination of whether an asset (including goodwill) is impaired requires an estimation of the value in use of the cash-generating unit. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 6. TURNOVER

The Group's turnover is as follows:

	2006 HK\$'000	2005 HK\$'000 (restated)
Provision of ATM services	6,282	–
Sale of integrated circuits and computer software	70,730	102,364
Unallocated	–	607
Manufacture and sale of computer related products	–	87,105
Software development and systems integration services	79,193	49,430
	<b>156,205</b>	<b>239,506</b>
Representing:		
Continuing operations	77,012	102,971
Discontinued operations ( <i>note 10</i> )	79,193	136,535
	<b>156,205</b>	<b>239,506</b>

# Notes to the Financial Statements

For the year ended 31 December 2006

## 7. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000 (restated)
Gain on disposal of an associate	2,390	–
Gain on disposals of property, plant and equipment	86	–
Gain on disposals of partial interest in subsidiaries	–	3,037
Government grants ( <i>note a</i> )	1,690	–
Interest income	679	3,520
Rental income from investment properties	362	314
Value added tax ("VAT") refund ( <i>note b</i> )	318	988
Wavier of amount due to an associate	9,347	–
Others	2,835	572
	<b>17,707</b>	<b>8,431</b>
Representing:		
Continuing operations	<b>13,994</b>	5,982
Discontinued operations ( <i>note 10</i> )	<b>3,713</b>	2,449
	<b>17,707</b>	<b>8,431</b>

- (a) During the year ended 31 December 2006, the Group has been granted certain financial supports from the PRC government authorities to encourage innovation in software development.
- (b) Pursuant to the relevant approval document issued by the tax authorities in the People's Republic of China ("PRC"), subsidiaries of the Group operated in the PRC are entitled to a refund of VAT on the sales of self-developed software. The VAT refund represents the amount of VAT paid in excess of 3% of income generated from the sales of self-developed software. The amount of VAT refund is recognised as other income when the refund is approved by the relevant tax authorities.



# Notes to the Financial Statements

For the year ended 31 December 2006

## 8. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000 (restated)
Finance lease charges	49	–
Interest on bank loans and overdraft	4,401	3,402
Other borrowing costs	–	31
	<b>4,450</b>	<b>3,433</b>
Representing:		
Continuing operations	<b>3,158</b>	2,365
Discontinued operations ( <i>note 10</i> )	<b>1,292</b>	1,068
	<b>4,450</b>	<b>3,433</b>

# Notes to the Financial Statements

For the year ended 31 December 2006

## 9. INCOME TAX CREDIT/(EXPENSE)

	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)		(restated)
<b>Current tax – Hong Kong Profits Tax</b>						
Underprovision in prior years	–	(19)	–	–	–	(19)
<b>Current tax – PRC Income Tax</b>						
Provision for the year	–	–	(584)	(318)	(584)	(318)
Underprovision in prior years	–	–	(148)	–	(148)	–
	–	–	(732)	(318)	(732)	(318)
<b>Deferred tax</b>						
Origination and reversal of temporary differences	408	(942)	–	(448)	408	(1,390)
	408	(961)	(732)	(766)	(324)	(1,727)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2006 (2005: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

The PRC income tax of the Group represents provisions for the PRC income tax on profits of subsidiaries in the PRC which have been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries. The associates of the Group sustained loss for taxation purpose during the years ended 31 December 2006 and 2005.

# Notes to the Financial Statements

For the year ended 31 December 2006

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

Certain subsidiaries were granted exemptions and relief from the PRC income tax by the relevant local tax bureau.

Reconciliation between tax expense and accounting loss at the Hong Kong Profits Tax rate is as follows:

	2006 HK\$'000	2005 HK\$'000 (restated)
Loss before tax		
Continuing operations	(190,364)	(29,770)
Discontinued operations	(9,064)	(44,789)
	(199,428)	(74,559)
Tax at the income tax rate of 17.5%	(34,899)	(13,048)
Tax effect of non-deductible expenses	30,218	661
Tax effect of non-taxable revenue	(5,664)	(6,800)
Tax effect of unused tax losses not recognised	10,326	21,263
Utilisation of tax losses	(4)	(32)
Underprovision in prior years	148	19
Effect of different tax rates of subsidiaries operating in other jurisdiction	199	(336)
Income tax expense	324	1,727

# Notes to the Financial Statements

For the year ended 31 December 2006

## 10. DISCONTINUED OPERATIONS

### (a) Disposal of the Chatex Group

In May 2005, the Group entered into an equity transfer agreement with an independent third party to dispose of Chatex Investment Limited and its subsidiaries (the "Chatex" Group), which carried out all of the Group's manufacturing and selling activities of computer related products. The disposal was completed in July 2005 and was classified as discontinued operations in 2005.

### (b) Plan to dispose of the systems integration services (the "SI operations")

Pursuant to an agreement dated 19 January 2007 entered into between a subsidiary of the Company, Stepping Stones Limited (the "Vendor") and an independent third party (the "Purchaser"), the Vendor disposed of 100% interest in three wholly-owned subsidiaries engaged in the provision of the SI operations, Start-tech (Fujian) Software and System Co., Limited, Fuzhou Start Medical System Co., Limited and Start-tech (Guangzhou) Medical Systems Co., Limited, collectively the SI Companies, together with the interests in other companies held by each of the SI Companies, to the Purchaser at a consideration of HK\$14,330,000. The disposal is consistent with the Group's long-term policy to focus its activities on the ATM business. On initial reclassification of the SI operations as held for sale, the Group has recognised an impairment loss of approximately HK\$14,420,000.

The loss for the year from the discontinued operations is analysed as follows:

	2006 HK\$'000	2005 HK\$'000 (restated)
Loss of discontinued operations	(8,638)	(31,401)
Loss on partial disposal of a subsidiary interest to a minority shareholder	(1,158)	–
Loss on disposal of subsidiaries	–	(14,154)
	<b>(9,796)</b>	(45,555)

# Notes to the Financial Statements

For the year ended 31 December 2006

## 10. DISCONTINUED OPERATIONS *(Continued)*

### (b) Plan to dispose of the systems integration services (the “SI operations”) *(Continued)*

The results of the discontinued operations for the years ended 31 December 2006 and 2005 which have been included in the consolidated income statement are as follows:

	2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	79,193	136,535
Cost of sales	(54,608)	(108,928)
Gross profit	24,585	27,607
Other income	3,713	2,449
Selling and distribution expenses	(5,514)	(7,898)
Administrative expenses	(12,447)	(15,922)
Finance costs	(1,292)	(1,068)
Other operating expenses	(2,347)	(23,286)
Share of losses of an associate	(184)	(12,517)
Impairment losses on non-current assets held for sale	(14,420)	–
Loss on partial disposal of a subsidiary interest to a minority shareholder	(1,158)	–
Loss on disposal of subsidiaries	–	(14,154)
Loss before tax	(9,064)	(44,789)
Income tax expense	(732)	(766)
Loss for the year	(9,796)	(45,555)

During the year, the discontinued operations paid approximately HK\$5,961,000 (2005: HK\$3,890,000) in respect of operating activities, paid approximately HK\$443,000 (2005: HK\$14,170,000) in respect of investing activities and paid approximately HK\$13,158,000 (2005: received HK\$3,346,000) in respect of financing activities.

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 11. LOSS FOR THE YEAR

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

	2006 HK\$'000	2005 HK\$'000
Amortisation of intangible assets (included in administrative expenses)	2,915	938
Auditors' remuneration	1,562	1,461
Cost of inventories sold (including write down of inventories)*	124,717	191,421
Depreciation	7,213	8,779
Exchange losses/(gains), net	372	(171)
Impairment losses on associates (included in other operating expenses)	–	3,321
Impairment losses on goodwill (included in other operating expenses)	77,000	–
Impairment losses on intangible assets (included in other operating expenses)	–	3,423
Impairment losses on non-current assets held for sale	14,420	–
Impairment losses on receivables and inventories (included in other operating expenses)	38,482	35,472
Impairment losses on prepayments for investments (included in other operating expenses)	32,500	–
Loss on disposal of an associate	–	1
Loss on disposals of property, plant and equipment	–	635
Loss on disposal of subsidiaries	–	14,154
Loss on partial disposal of a subsidiary interest to a minority shareholder	1,158	–
Operating lease charges in respect of land and buildings	4,026	1,857
Rental income from investment properties less direct outgoings of HK\$14,000 (2005: HK\$12,000)	(348)	(302)
Staff costs including directors' emoluments		
Contributions to defined contribution schemes	1,365	1,217
Salaries, wages and other benefits	22,064	24,190
Equity settled share-based payments	3,253	–
	26,682	25,407

\* Write down of inventories for the year ended 31 December 2006 was Nil (2005: HK\$1,903,000).

# Notes to the Financial Statements

For the year ended 31 December 2006

## 12. DIRECTORS' EMOLUMENTS

The emoluments of each director for the year ended 31 December 2006 were as follows:

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 12. DIRECTORS' EMOLUMENTS (Continued)

The emoluments of each director for the year ended 31 December 2005 were as follows:

	Fees HK\$'000	Retirement scheme contributions HK\$'000	Share-based payments HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Sze Wai, Marco	1,200	12	–	1,212
Chu Chi Shing	888	12	–	900
Wang Qing (note (c))	–	–	–	–
Gu Peijian	300	12	–	312
Ye Long (note (d))	200	–	–	200
Song Jing Sheng	480	7	–	487
<b>Independent non-executive directors</b>				
Chong Yiu Kan, Sherman	120	–	–	120
Mao Zhenhua	120	–	–	120
Wong Po Yan	120	–	–	120
	3,428	43	–	3,471

- Note:
- (a) Resigned on 29 January 2007
  - (b) Appointed on 18 December 2006
  - (c) Resigned on 31 May 2005
  - (d) Resigned on 16 February 2005



# Notes to the Financial Statements

For the year ended 31 December 2006

## 13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three of them (2005: three) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining two (2005: two) individuals were as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and other emoluments	1,608	1,638
Share-based payments	165	–
Retirement scheme contributions	24	12
	<b>1,797</b>	<b>1,650</b>

The emoluments of the two (2005: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2006	2005
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	1

Other than those disclosed above, 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. No director has waived or agreed to waive any emolument during the years ended 31 December 2006 and 2005.

## 14. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2006 and 2005.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 15. LOSS PER SHARE

### (a) From continuing and discontinued operations

#### *Basic loss per share*

The calculation of basic loss (2005: 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\$202,132,000 (2005: HK\$78,240,000) and the weighted average number of ordinary shares of 993,623,000 (2005 (restated): 597,598,000) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2006 and 2005.

### (b) From continuing operations

#### *Basic loss per share*

The calculation of basic loss (2005: 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\$189,956,000 (2005 (restated): HK\$30,731,000) and the denominators used are 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 2006 and 2005.

### (c) From discontinued operations

#### *Basic loss per share*

Basic loss (2005: loss) per share from discontinued operations attributable to equity holders of the Company is based on the loss for the year from discontinued operations attributable to equity holders of the Company of approximately HK\$12,176,000 (2005 (restated): HK\$47,509,000) and the denominators used are 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 2006 and 2005.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 16. 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 16. 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		Manufacture & sale of computer related products		Software development & systems integration services		Information localisation services		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Revenue from external customers	70,730	102,364	6,282	-	-	607	-	87,105	79,193	49,430	-	-	156,205	239,506
Other income from external customers	58	314	-	-	165	-	-	41	3,387	1,396	-	-	3,610	1,751
	70,788	102,678	6,282	-	165	607	-	87,146	82,580	50,826	-	-	159,815	241,257
Segment results (note i)	(29,804)	8,340	(87,688)	-	-	-	-	(7,410)	(5,655)	(7,554)	-	-	(123,147)	(6,624)
Unallocated operating income and expenses	-	-	-	-	-	-	-	-	-	-	-	-	(70,530)	(51,607)
Loss from operations	-	-	-	-	-	-	-	-	-	-	-	-	(193,677)	(58,231)
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(4,450)	(3,433)
Share of losses of associates	-	-	(1,117)	(378)	-	-	-	(122)	(184)	-	-	(12,395)	(1,301)	(12,895)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(324)	(1,727)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,380)	(1,954)
Loss attributable to equity holders													(202,132)	(78,240)
Impairment losses recognised in income statement	40,000	-	78,248	2,528	-	-	-	-	16,727	7,092	-	11,361		
Depreciation and amortisation charge for the year	208	2	6,227	-	-	-	-	4,886	1,412	2,372	-	-		
Segment assets	37,567	74,621	187,967	-	-	-	-	-	89,477	58,760	-	-	315,011	133,381
Interests in associates	-	-	-	75,823	-	-	-	-	1,329	3,966	-	-	1,329	79,789
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	55,595	195,230
Total assets													371,935	408,400
Segment liabilities	(43,678)	(70,608)	(8,597)	-	-	-	-	-	(69,252)	(47,808)	-	-	(121,527)	(118,416)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(36,022)	(24,902)
Total liabilities													(157,549)	(143,318)
Capital expenditure incurred during the year	1,547	2	167,809	-	85	224	-	5,404	375	1,801	-	-	169,816	7,431

# Notes to the Financial Statements

For the year ended 31 December 2006

## 16. SEGMENT INFORMATION (Continued)

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

Note:

- i) Segment results, assets and liabilities are before elimination of intra-group transactions and balances, except to the extent that such intra-group transactions and balances are between group companies within the same segment.

### (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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	PRC	PRC	Hong Kong	Hong Kong	Total	Total	PRC	PRC	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)		(restated)		(restated)		(restated)		(restated)
Revenue from												
external customers	6,282	–	70,730	102,095	77,012	102,095	79,193	137,411	79,193	137,411	156,205	239,506
Segmental assets	185,855	224,574	95,274	121,100	281,129	345,674	90,806	62,726	90,806	62,726	371,935	408,400
Capital expenditure												
incurred during												
the year	167,809	59	1,632	60	169,441	119	375	7,312	375	7,312	169,816	7,431

# Notes to the Financial Statements

For the year ended 31 December 2006

## 17. INVESTMENT PROPERTIES

	2006 HK\$'000	2005 HK\$'000
<b>Valuation:</b>		
At 1 January	8,350	6,300
Fair value gains	–	2,050
At 31 December	8,350	8,350

The Group's investment properties were revalued at 31 December 2006 by an independent firm of surveyors, B.I. Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, on an open market value basis. The fair values estimated by the valuer on 31 December 2006 do not differ significantly from their carrying amount and no revaluation adjustment has been recognised in the current year.

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

At 31 December 2006 the Group's investment properties were pledged as security for banking facilities granted to the Group (note 30(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:

	2006 HK\$'000	2005 HK\$'000
Within one year	320	204

# Notes to the Financial Statements

For the year ended 31 December 2006

## 18. 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
<b>Cost:</b>						
At 1 January 2005	19,225	3,086	47,661	10,282	12,226	92,480
Exchange adjustments	–	35	6	132	64	237
Additions	309	636	4,903	1,334	249	7,431
Disposals						
Through disposals of subsidiaries	(18,174)	(407)	(52,551)	(2,188)	(2,912)	(76,232)
Others	–	(636)	–	(583)	–	(1,219)
Elimination of accumulated depreciation	(40)	–	–	–	–	(40)
At 31 December 2005	1,320	2,714	19	8,977	9,627	22,657
Representing:						
Cost	–	2,714	19	8,977	9,627	21,337
Valuation – 2005	1,320	–	–	–	–	1,320
	1,320	2,714	19	8,977	9,627	22,657
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 sale	–	(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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 18. 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
<b>Accumulated depreciation:</b>						
At 1 January 2005	866	1,574	12,508	5,297	6,289	26,534
Exchange adjustments	–	18	6	55	23	102
Charge for the year	509	539	4,216	1,662	1,853	8,779
Written back on disposals						
Through disposals of subsidiaries	(1,336)	(42)	(16,730)	(1,126)	(1,102)	(20,336)
Others	–	(60)	–	(298)	–	(358)
Elimination on revaluation	(39)	–	–	–	–	(39)
At 31 December 2005	–	2,029	–	5,590	7,063	14,682
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
<b>Carrying amount:</b>						
At 31 December 2006	1,281	–	46,268	720	1,556	49,825
At 31 December 2005	1,320	685	19	3,387	2,564	7,975



# Notes to the Financial Statements

For the year ended 31 December 2006

## 18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's buildings held for own use in Hong Kong were revalued at 31 December 2006 by an independent firm of surveyors, B.I. Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, on an open market value basis. The fair values estimated by the valuer on 31 December 2006 do not differ significantly from their carrying amount and no revaluation adjustment has been recognised in the current year.

The carrying amount of the Group's buildings held for own use at 31 December 2006 would have been approximately HK\$1,228,000 (2005: HK\$1,267,000) had they been stated at cost less accumulated depreciation and impairment losses.

At 31 December 2006 the carrying amount of motor vehicles held by the Group under finance lease amounted to approximately HK\$1,341,000 (2005: Nil).

At 31 December 2006 the Group's buildings held for own use were pledged as security for banking facilities granted to a subsidiary and a former related company (note 39).

## 19. PREPAID LAND LEASE PAYMENTS

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

	2006 HK\$'000	2005 HK\$'000
In Hong Kong		
– long leases	4,318	4,322

At 31 December 2006 the Group's prepaid land lease payments were pledged as security for banking facilities granted to a subsidiary and a former related company (note 39).

# Notes to the Financial Statements

For the year ended 31 December 2006

## 20. GOODWILL

	HK\$'000
<b>Cost:</b>	
Arising on acquisition of subsidiaries ( <i>note 37(a)</i> ) and at 31 December 2006	122,629
<b>Accumulated impairment losses:</b>	
Impairment losses recognised for the year and at 31 December 2006	(77,000)
<b>Carrying amount:</b>	
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 testing. The recoverable amounts of the goodwill are determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the forecast period. Management estimates the 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 performance and expectations for future market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years with the residual period using the growth rate of 5%. 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%.

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 do not exceed their carrying amount in the consolidated balance sheet, and therefore an impairment loss of HK\$77,000,000 was recognised.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 21. INTANGIBLE ASSETS

	Computer software HK\$'000	Customer contracts HK\$'000	Total HK\$'000
<b>Cost:</b>			
At 1 January 2005	3,978	–	3,978
Additions	4,673	–	4,673
At 31 December 2005 and 1 January 2006	8,651	–	8,651
Acquired on acquisition of subsidiaries ( <i>note 37(a)</i> )	–	45,000	45,000
Exchange adjustments	303	–	303
Assets classified as held for sale	(8,954)	–	(8,954)
At 31 December 2006	–	45,000	45,000
<b>Accumulated amortisation and impairment losses:</b>			
At 1 January 2005	2,821	–	2,821
Amortisation for the year	938	–	938
Impairment losses	3,423	–	3,423
At 31 December 2005 and 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	–	2,625	2,625
<b>Carrying amount:</b>			
At 31 December 2006	–	42,375	42,375
At 31 December 2005	1,469	–	1,469

The Group's intangible assets mainly represent the fair value of customer contracts of Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd. at the date of acquisition. The average remaining amortisation period of the customer contracts is approximately ten years.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 22. INTERESTS IN ASSOCIATES

	2006 HK\$'000	2005 HK\$'000
Unlisted investments:		
Share of net assets	793	21,516
Goodwill	–	27,614
	793	49,130
Amount due from an associate	927	33,980
	1,720	83,110
Impairment losses	(1,720)	(3,321)
	–	79,789

Details of the Group's associates at 31 December 2006 are as follows:

Name of associates	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Fujian Multi Language Translation Service Company Limited	PRC	RMB5,000,000	–	25%	Provision of information localisation services
Fujian Star System Integration Co. Ltd.*	PRC	RMB4,800,000	–	28%	Provision of software development and systems integration services
福建實達軟件系統開發有限公司*	PRC	RMB1,000,000	–	44%	Provision of software development and systems integration services

\* These companies were classified under disposal group during the year ended 31 December 2006.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 22. INTERESTS IN ASSOCIATES *(Continued)*

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

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Share of associates' net assets HK\$'000	Revenues HK\$'000	Loss HK\$'000	Share of associates' loss HK\$'000
<b>2006</b>	<b>5,568</b>	<b>2,209</b>	<b>3,359</b>	<b>–</b>	<b>–</b>	<b>(91)</b>	<b>(1,301)</b>
2005	109,449	59,168	50,281	21,516	8,363	(48,316)	(12,895)

The Group has not recognised loss for the year amounting to HK\$9,810,000 (2005: Nil). The accumulated losses not recognised as at 31 December 2006 were HK\$9,810,000 (2005: Nil).

## 23. PREPAYMENTS FOR INVESTMENTS

- (a) Pursuant to an agreement dated 5 September 2003 and a supplementary agreement dated 15 December 2003, a subsidiary of the Group entered into an agreement with two PRC domestic companies for the provision of ongoing financial advisory services in sourcing IT related development projects or other acquisition projects. As at 31 December 2005, prepayments for investments of HK\$19,712,000 were placed with these PRC domestic companies. In 2006, full impairment was made for that amount.
- (b) On 25 November 2004, the Group entered into a memorandum of understanding with an independent third party to acquire 51% equity interest in certain PRC domestic companies. As at 31 December 2005, prepayment for investment of HK\$12,000,000 was placed with this independent third party as a deposit for the acquisition. In 2006, full impairment was also made for that amount.
- (c) As at 31 December 2005, deposit of HK\$57,690,000 was paid to one of a shareholder of an associate and an amount of HK\$51,920,000 was placed in PRC domestic companies for further investment in an associate. In May 2006, the Group acquired the remaining equity interest of the associates satisfied by the aforesaid deposits, new shares issue and cash settlement (note 37 (a)).

# Notes to the Financial Statements

For the year ended 31 December 2006

## 24. INVENTORIES

	2006 HK\$'000	2005 HK\$'000
Finished goods	–	1,153

## 25. TRADE AND OTHER RECEIVABLES

	2006 HK\$'000	2005 HK\$'000
Accounts receivable	9,988	70,760
Retentions receivable from customers	–	1,888
Gross amount due from customers for contract work	–	10,464
Prepayments, deposits and other receivables	10,780	50,465
	<b>20,768</b>	133,577

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

	2006 HK\$'000	2005 HK\$'000
Current	7,147	24,385
1 to 3 months overdue	2,841	43,415
More than 3 months overdue but less than 12 months overdue	–	1,647
Overdue beyond 1 year	–	1,313
	<b>9,988</b>	70,760

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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 25. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2006 '000	2005 '000
Renminbi	4,605	81,814
United States dollars	1,281	6,005

# Notes to the Financial Statements

For the year ended 31 December 2006

## 26. SYSTEMS INTEGRATION CONTRACTS

The gross amount due from customers for contract work at 31 December 2006 and 2005 are expected to be recovered within one year. The gross amount due to customers for contract work at 31 December 2006 and 2005 are expected to be settled within one year.

In respect of systems integration contracts in progress at the balance sheet date, the amount of retentions receivable from customers at 31 December 2006 is approximately HK\$1,077,000 (2005: HK\$1,888,000). The amount of retentions at 31 December 2006 is expected to be recovered within one year and has been classified as disposal group (note 28).

## 27. CASH AND CASH EQUIVALENTS

	2006 HK\$'000	2005 HK\$'000
Bank and cash balances	92,348	12,324
Bank overdraft (note 30)	(14,833)	(19,942)
	77,515	(7,618)
Cash and cash equivalents included in the disposal group held for sale (note 28(b))	18,476	—
Cash and cash equivalents in the consolidated cash flow statement	95,991	(7,618)

Included in bank and cash balances is amount of approximately HK\$67,881,000 at 31 December 2006 (2005: HK\$12,250,000) 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.



# Notes to the Financial Statements

For the year ended 31 December 2006

## 28. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

### (a) Disposal of the Chatex Group

In May 2005, the Group entered into an equity transfer agreement with an independent third party to dispose of Chatex Investment Limited and its subsidiaries (the “Chatex” Group), which carried out all of the Group’s manufacturing and selling activities of computer related products. The disposal was completed in July 2005 and was classified as discontinued operations in 2005.

### (b) Plan to dispose of the systems integration services (the “SI operations”)

Pursuant to an agreement dated 19 January 2007 entered into between a subsidiary of the Company, Stepping Stones Limited (the “Vendor”) and an independent third party (the “Purchaser”), the Vendor disposed of 100% interest in three wholly-owned subsidiaries engaged in the provision of the SI operations, Start-tech (Fujian) Software and System Co., Limited, Fuzhou Start Medical System Co., Limited and Start-tech (Guangzhou) Medical Systems Co., Limited, collectively the SI Companies, together with the interests in other companies held by each of the SI Companies, to the Purchaser at a consideration of HK\$14,330,000. The assets and liabilities attributable to the SI Companies, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet. The SI operations are included in the Group’s software development and systems integration services activities for segment reporting purposes.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 28. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(Continued)

### (b) Plan to dispose of the systems integration services (the "SI operations") (Continued)

The major classes of assets and liabilities comprising the disposal group classified as held for sale at 31 December 2006 are as follows:

	HK\$'000
<b>Assets</b>	
Property, plant and equipment	363
Intangible assets	140
Interests in associates	1,329
Inventories	3,646
Accounts receivable	36,793
Retentions receivable from customers (note 26)	1,077
Gross amount due from customers for contract work	9,389
Prepayments, deposits and other receivables	19,593
Bank and cash balances (note 27)	18,476
<b>Assets classified as held for sale</b>	<b>90,806</b>
<b>Liabilities</b>	
Accounts payable	13,648
Gross amount due to customers for contract work	2,163
Other payables and accrued expenses	32,965
Loans and overdraft	20,000
Current tax liabilities	155
Deferred tax liabilities	321
<b>Liabilities classified as held for sale</b>	<b>69,252</b>
<b>Net assets of SI Companies classified as held for sale</b>	<b>21,554</b>

# Notes to the Financial Statements

For the year ended 31 December 2006

## 29. TRADE AND OTHER PAYABLES

	Note	2006 HK\$'000	2005 HK\$'000
Accounts payable	(a)	–	25,988
Bills payable	(a)	<b>4,191</b>	6,845
Gross amount due to customers for contract work		–	4,068
Deposit received for disposal of SI Companies		<b>13,000</b>	–
Receipts in advance		–	1,197
Other payables and accrued expenses		<b>12,481</b>	30,624
Amounts due to directors		–	5,684
		<b>29,672</b>	74,406

All of the trade and other payables are expected to be settled within one year.

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:

	2006 HK\$'000	2005 HK\$'000
Due within 3 months or on demand	<b>4,191</b>	31,444
Overdue 3 months to 1 year	–	491
Overdue beyond 1 year	–	898
	<b>4,191</b>	32,833

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

	2006 '000	2005 '000
Renminbi	<b>1,825</b>	52,704
United States dollars	<b>537</b>	878

# Notes to the Financial Statements

For the year ended 31 December 2006

## 30. BANK LOANS AND OVERDRAFT

	2006 HK\$'000	2005 HK\$'000
Secured bank overdraft ( <i>note 27</i> )	<b>14,833</b>	19,942
Bank loans – secured	<b>30,903</b>	33,599
Bank loans – unsecured	–	9,615
Other loans – unsecured	–	1,160
	<b>45,736</b>	64,316

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:

Secured bank overdraft	:	5% – 8%
Bank loans	:	5% – 8%

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

	2006 '000	2005 '000
Renminbi	–	10,000
United States dollars	<b>3,962</b>	–

At 31 December 2006 the Group had banking facilities totalling HK\$87,000,000 (2005: HK\$79,615,000) of which HK\$67,000,000 (2005: HK\$70,000,000) was secured by the following:

- Mortgages over the Group's investment properties at 31 December 2006 and 2005.
- A charge over the Group's fixed deposits with banks of HK\$17,516,000 at 31 December 2006 (2005: HK\$17,516,000).
- Corporate guarantee given by the Company.

The banking facilities were utilised to the extent of HK\$75,071,000 at 31 December 2006 (2005: HK\$73,589,000).

# Notes to the Financial Statements

For the year ended 31 December 2006

## 31. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Within one year	565	–	496	–
In the second to fifth years, inclusive	659	–	630	–
	1,224	–	1,126	–
Less: Future finance charges	(98)	–	–	–
Present value of lease obligations	1,126	–	1,126	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(496)	–
Amount due for settlement after 12 months			630	–

The lease term is three years. For the year ended 31 December 2006, the effective borrowing rate was 3.18% (2005: Nil). 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 32. 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\$139,000 (2005: HK\$230,000).

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 14% to 25% (2005: 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 2006 amounted to HK\$1,226,000 (2005: HK\$987,000).

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

## 33. 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 33. 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 2006, there were 79,241,000 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 79,241,000 additional ordinary shares of the Company and additional share capital of HK\$7,924,100 and share premium of approximately HK\$14,590,500 (before share issue expenses).

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

	Date granted	Exercisable period	Note	Exercise price of share options (note a) HK\$	Number of options			
					Outstanding at 1.1.2006	Granted during the year	Exercised/ lapsed during the year	Outstanding at 31.12.2006
Old Scheme								
Directors								
Chu Chi Shing	16 Jun 1999	10 years	(b)	1.08	2,100,000	–	–	2,100,000
	28 Dec 1999	10 years	(d)	1.32	200,000	–	–	200,000
	14 May 2001	10 years	(e)	0.58	200,000	–	–	200,000
Sze Wai, Marco	14 May 2001	10 years	(e)	0.58	3,500,000	–	–	3,500,000
Former director								
Chiu Chi Shun, Clarence	14 May 2001	10 years	(e)	0.58	3,500,000	–	–	3,500,000
Employees								
	16 Jun 1999	10 years	(b)	1.08	2,881,000	–	–	2,881,000
	20 Dec 1999	10 years	(c)	1.13	100,000	–	–	100,000
	28 Dec 1999	10 years	(d)	1.32	650,000	–	–	650,000
	03 Jan 2000	10 years	(c)	1.44	560,000	–	–	560,000
	28 Feb 2000	10 years	(c)	2.06	40,000	–	–	40,000
	21 Jul 2000	10 years	(c)	1.14	200,000	–	–	200,000
	14 May 2001	10 years	(e)	0.58	1,750,000	–	–	1,750,000
New Scheme								
Directors								
Sze Wai, Marco	31 Oct 2006	10 years	(h)	0.250	–	1,000,000	–	1,000,000
Chu Chi Shing	31 Oct 2006	10 years	(h)	0.250	–	2,000,000	–	2,000,000
Song Jing Sheng	31 Oct 2006	10 years	(h)	0.250	–	2,000,000	–	2,000,000
Gu Peijian (Resigned on 29 Jan 07)	31 Oct 2006	10 years	(h)	0.250	–	1,000,000	–	1,000,000



# Notes to the Financial Statements

For the year ended 31 December 2006

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

					Number of options			
				Exercise price of share options	Outstanding at 1.1.2006	Granted during the year	Exercised/ lapsed during the year	Outstanding at 31.12.2006
	Date granted	Exercisable period	Note	(note a) HK\$				
Independent Non-executive directors								
Mao Zhenhua	31 Oct 2006	10 years	(h)	0.250	–	1,000,000	–	1,000,000
Wong Po Yan	31 Oct 2006	10 years	(h)	0.250	–	1,000,000	–	1,000,000
Chong Yiu Kan	31 Oct 2006	10 years	(h)	0.250	–	1,000,000	–	1,000,000
Employees and Consultants								
Employees	20 Mar 2006	10 years	(f)	0.122	–	37,060,000	(500,000)	36,560,000
	04 Oct 2006	10 years	(g)	0.213	–	3,000,000	–	3,000,000
Consultants	20 Mar 2006	10 years	(f)	0.122	–	7,000,000	–	7,000,000
	04 Oct 2006	10 years	(g)	0.213	–	8,000,000	–	8,000,000
					15,681,000	64,060,000	(500,000)	79,241,000

Note:

- (a) The exercise price of the share options is subject to adjustment in the case of a right 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.
- (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.
- (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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Note: (Continued)

- (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.
- (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.
- (i) The average closing prices of the shares in the Stock Exchange for the five trading days immediately preceding the dates of grant on 20 March 2006, 4 October 2006 and 31 October 2006 are HK\$0.124, HK\$0.212 and HK\$0.214 respectively.

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

	2006		2005	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	15,681,000	0.824	15,681,000	0.824
Granted during the year	64,060,000	0.151	—	—
Exercised during the year	(500,000)	0.122	—	—
Outstanding at the end of the year	79,241,000	0.284	15,681,000	0.824
Exercisable at the end of the year	59,241,000	0.308	15,681,000	0.824

# Notes to the Financial Statements

For the year ended 31 December 2006

## 33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The weighted average share price at the exercise date of the share options during the year was HK\$0.21. The options outstanding at the end of the year have a weighted average remaining contractual life of 8.27 years (2005: 4.67 years) and the exercise prices range from HK\$0.122 to HK\$2.06 (2005: HK\$0.58 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\$4,533,000. The significant inputs into the model were as follows:

	20 March 2006	4 October 2006	31 October 2006
Option value	HK\$0.040	HK\$0.125	HK\$0.155
Total fair value	HK\$1,762,400	HK\$1,375,000	HK\$1,395,000
Share price at date of grant	HK\$0.12	HK\$0.21	HK\$0.25
Exercisable price	HK\$0.122	HK\$0.213	HK\$0.25
Expected volatility	83%	84%	84%
Risk-free interest rate	4.390%	3.973%	3.867%
Suboptimal exercise factor	1.5	2.1	2.1
Dividend yield	0%	0%	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 approximately HK\$4,533,000 (2005: Nil).

# Notes to the Financial Statements

For the year ended 31 December 2006

## 34. DEFERRED TAX

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

	Intangible assets HK\$'000	Revaluation of properties held for own use HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
Deferred tax arising from:				
At 1 January 2005	–	286	2,409	2,695
Charged to consolidated income statement ( <i>note 9</i> )	–	286	1,104	1,390
Disposal of subsidiaries	–	–	(192)	(192)
Exchange adjustments	–	–	151	151
At 31 December 2005	–	572	3,472	4,044
At 1 January 2006	–	572	3,472	4,044
Intangible assets arising on acquisition of subsidiaries ( <i>note 37(a)</i> )	7,875	–	–	7,875
Charged (back)/to consolidated income statement ( <i>note 9</i> )	(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

The Group has not recognised deferred tax assets in respect of tax losses of HK\$99,713,000 (2005: HK\$57,481,000) available for offset against future profits due to the unpredictability of future profits streams. The tax losses do not expire under current tax legislation.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 35. SHARE CAPITAL

Note	2006		2005	
	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	528,644	52,864	528,644	52,864
Issue of right shares (a)	528,644	52,864	—	—
Issue of new shares (b)	100,000	10,000	—	—
(c)	210,000	21,000	—	—
Exercise of share options	500	50	—	—
At 31 December	1,367,788	136,778	528,644	52,864

Note:

- (a) During the year, a rights issue ("Rights Issue") of one right share for every one existing share held by members on the register of members on 26 March 2006 was made at an issue price of HK\$0.1 per right share, resulting in the issue of 528,644,000 shares of HK\$0.1 each for a total cash consideration, after expenses, of approximately HK\$51 million. The net proceeds of the Rights Issue were used to finance business acquisition of the remaining 70% equity interest of two ATM companies, Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd. (note 37(a)).
- (b) In August 2006, 100,000,000 new ordinary shares of HK\$0.1 each was issued at HK\$ 0.3 per share to a vendor credited as fully paid, as partial consideration for the acquisition of the remaining 70% equity interest of two ATM companies, Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd. (note 37(a)).
- (c) Pursuant to a subscription agreement entered into on 14 November 2006, the subscriber, Customers Asia Limited, subscribed for 210,000,000 new shares of HK\$0.1 each at a subscription price of HK\$0.261 per share on 18 December 2006.
- (d) The excess of the issued price over the par value of the shares issued during the year in (b) and (c) has been credited to share premium account of the Company.
- (e) All the shares issued by the Company rank pari passu and do not carry pre-emptive right.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 36. 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 36. RESERVES *(Continued)*

### (b) Nature and purposes of reserves *(Continued)*

#### (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.

In July 2006, the Company issued 100,000,000 non-listed warrants at an issue price of HK\$0.01 per warrant by private placement. Each warrant entitles the holder to subscribe for one ordinary share of HK\$0.1 each at an initial subscription price of HK\$0.33 per share during the three-year period from the date of allocation and issue 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.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 37. ACQUISITION AND DISPOSALS OF SUBSIDIARIES

### (a) Acquisition of subsidiaries

In May 2006, the Group acquired the remaining 70% equity interest of two ATM companies, Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd. with net assets fair value at approximately HK\$70,989,000. The consideration, before expenses, of HK\$143,910,000 (equivalent to approximately RMB144,000,000) was satisfied by HK\$113,910,000 cash and HK\$30,000,000 by an issue and allotment of 100,000,000 new shares of HK\$0.1 each of the Company, at HK\$0.3 per share (note 35(b)). The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$122,629,000 in aggregate.

	Acquiree's carrying amount on acquisition HK\$'000	Acquiree's fair value on acquisition HK\$'000
<b>Net assets acquired:</b>		
Property, plant and equipment	57,474	49,974
Intangible assets (note 21)	–	45,000
Inventories	352	352
Prepayments, deposits and other receivables	4,091	4,091
Cash and cash equivalents	28,573	28,573
Other payables and accrued expenses	(49,126)	(49,126)
Deferred tax liabilities	–	(7,875)
	41,364	70,989
Reclassified from interests in associates		(46,580)
Goodwill arising on acquisition (note 20)		122,629
		147,038
<b>Satisfied by:</b>		
Cash paid		4,300
Direct cost related to the acquisition		3,128
Share consideration, at fair value		30,000
Deposits paid for intended acquisition in 2005 (note 23(c))		109,610
		147,038
<b>Net cash inflow of cash on acquisition of subsidiaries:</b>		
Cash paid		(4,300)
Direct cost related to the acquisition		(3,128)
Cash and cash equivalents of the subsidiaries acquired		28,573
		21,145



# Notes to the Financial Statements

For the year ended 31 December 2006

## 37. ACQUISITION AND DISPOSALS OF SUBSIDIARIES *(Continued)*

### (a) Acquisition of subsidiaries *(Continued)*

Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd. contributed approximately HK\$6,282,000 to the Group's turnover and approximately HK\$79,755,000 to the Group's loss before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total Group turnover for the year would have been HK\$157,396,000 and loss for the year would have been HK\$202,507,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 37. ACQUISITION AND DISPOSALS OF SUBSIDIARIES *(Continued)*

### (b) Disposals of subsidiaries

In July 2005 the Group discontinued its manufacturing and sale of plastic casings for computer equipment business at the time of the disposal of its subsidiaries.

	2006 HK\$'000	2005 HK\$'000
Net assets of:		
Property, plant and equipment	–	50,577
Construction in progress	–	17,179
Inventories	–	30,993
Accounts receivable	–	57,796
Prepayments, deposits and other receivables	–	5,080
Cash and cash equivalents	–	3,787
Accounts payable	–	(68,027)
Other payables and accrued expenses	–	(665)
Bank loans and overdraft	–	(24,480)
Deferred tax liabilities	–	(192)
	–	72,048
Minority interests	–	(26,054)
Loss on disposal of subsidiaries	–	(14,154)
	–	31,840
Satisfied by:		
Cash received	–	31,840
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration	–	31,840
Cash and cash equivalents of the subsidiaries disposed	–	(3,787)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	–	28,053

# Notes to the Financial Statements

For the year ended 31 December 2006

## 38. COMMITMENTS

### (a) Lease commitments

At 31 December 2006 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2006 HK\$'000	2005 HK\$'000
Within one year	1,816	2,390
After one year but within five years	307	1,128
	2,123	3,518

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two 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:

	2006 HK\$'000	2005 HK\$'000
Contracted but not provided for	12,011	93,535

# Notes to the Financial Statements

For the year ended 31 December 2006

## 39. CONTINGENT LIABILITIES

The Group's land and buildings held for own use with an aggregate carrying value of HK\$5,599,000 (2005: HK\$5,642,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$6,000,000 (2005: HK\$15,000,000) granted to a former related company. As at 31 December 2006, the amount of the facilities utilised was HK\$5,984,000 (2005: HK\$7,985,000).

At 31 December 2006, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$5,148,000 (2005: HK\$5,148,000).

## 40. MATERIAL RELATED PARTY TRANSACTIONS

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 2006 with associates and certain related parties in which a director or shareholder of the Group is in a position to exercise significant influence:

	Note	2006 HK\$'000	2005 HK\$'000
Trading transactions			
Purchases from an associate	(a)	3,971	2,673
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	—
Disposal of partial interests of a subsidiary to a related company	(g)	—	—
Purchases on behalf of an associate	(h)	—	21,745

# Notes to the Financial Statements

For the year ended 31 December 2006

## 40. 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) These 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 Group disposed of partial interests of a subsidiary to a related party at nil consideration.
- (h) The amount represented purchases of automatic teller machines on behalf of an associate.

Except for notes (d) and (g) 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.

## 41. MAJOR NON-CASH TRANSACTION

- (a) The Group further acquired 70% equity interest of two ATM companies, Loten Technology Co., Ltd. and Beijing Sun Leader Technology Co., Ltd. satisfied by an issue and allotment 100,000,000 new ordinary shares of HK\$0.1 each of the Company at HK\$0.3 per share. Details of acquisition are set out in note 37(a).
- (b) Additions to property, plant and equipment during the year of HK\$1,547,000 (2005: Nil) were financed by finance leases.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 42. POST BALANCE SHEET EVENTS

- (a) On 2 January 2007, share options entitling the holders thereof to subscribe for an aggregate of 2,400,000 shares were granted to an employee of the Company. The fair value of the options has not been determined yet as the management considers there is no financial impact to the current financial year.
- (b) On 14 November 2006, the Company entered into a Loan Agreement with Customers Asia Limited (the "Customers"), pursuant to which Customers has conditionally agreed to make available to the Company a loan in the principal amount of HK\$62,400,000. A supplemental deed to the Loan Agreement was entered into on 10 January 2007 to alter certain terms and conditions of the Loan Agreement. The drawdown of the loan in February 2007 amounted to HK\$62,400,000 which shall entitle Customers to convert the principal amount of the loan into new shares of the Company subject to the terms and conditions as specified in the Loan Agreement and the supplemental deed to the Loan Agreement.
- (c) On 19 January 2007, an agreement was entered into between a subsidiary of the Company, Stepping Stones Limited (the "Vendor") and an independent third party (the "Purchaser") whereby the Vendor disposed of 100% interest in three wholly-owned subsidiaries engaged in the provision of the SI operations, Start-tech (Fujian) Software and System Co., Limited, Fuzhou Start Medical System Co., Limited and Start-tech (Guangzhou) Medical Systems Co., Limited, collectively the SI Companies, together with the interests in other companies held by each of the SI Companies, to the Purchaser at a consideration of HK\$14,330,000. On 26 February 2007, a resolution was passed in a special general meeting to approve the disposal.

# Notes to the Financial Statements

For the year ended 31 December 2006

## 43. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2006 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	Investment holding
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	Dormant
Pearl King International Limited	BVI	–	100	US\$500	Dormant
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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 43. 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	Property holding
Start-tech (Guangzhou) Medical Systems Co., Ltd.* (note a)	PRC	–	100	RMB15,955,000	Provision of software development and systems integration services
Start-tech (Fujian) Software and System Co., Ltd.* (note a)	PRC	–	100	RMB50,713,450	Provision of software development and systems integration services
Fuzhou Start Medical System Co., Ltd.* (note a)	PRC	–	100	RMB2,000,000	Dormant
Fujian Gallop Information Co., Ltd. (note a)	PRC	100	–	RMB10,000,000	Dormant
Start Technology (Beijing) Co., Ltd. (note a)	PRC	–	100	RMB10,000,000	Dormant
Fujian Yi Lian Tong Technology Development Limited (Formerly known as Fujian Hai Tong Technology Development Co., Ltd.)* (note b)	PRC	–	100	RMB5,000,000	Dormant



# Notes to the Financial Statements

For the year ended 31 December 2006

## 43. 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		
Fujian He Zhong Information Technology Ltd. (Formerly known as Fuzhou Hai Kang Medical Equipment Co., Ltd.)* (note b)	PRC	–	59	RMB5,000,000	Dormant
Anhui Start Technology and System Integration Co., Ltd.* (note b)	PRC	–	51	RMB5,000,000	Provision of software development and systems integration services
Neimenggu Start-Tech Software and System Co., Ltd.* (note b)	PRC	–	100	RMB3,000,000	Provision of software development and systems integration services
Fujian Start Information Facility Co., Ltd. (note a)	PRC	–	100	RMB4,404,940	Dormant
Shanxi Start Technology Co., Ltd.* (note b)	PRC	–	51	RMB3,000,000	Provision of software development and systems integration services
Beijing Sun Leader Technology Co., Ltd. (note a)	PRC	–	100	RMB10,000,000	Provision of ATMs services

# Notes to the Financial Statements

For the year ended 31 December 2006

## 43. 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		
Loten Technology Co., Ltd. (note a)	PRC	–	100	RMB50,000,000	Provision of ATMs services

\* These companies were classified under disposal group during the year ended 31 December 2006.

Notes:

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

(b) These are domestic limited liability companies established in the PRC.

## 44. COMPARATIVE FIGURES

Certain comparative figures have been re-stated and re-classified to conform with the current year's presentation.

## 45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 April 2007.