NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

The unaudited consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of this consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the accounting policies do not have a material impact to the Group as a whole and the particulars of these changes are set out in note 2 below.

2 New accounting policies

2.1 Goodwill and acquisition of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill on acquisitions of subsidiaries is included in intangible assets and is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Prior to 1 January 2005, goodwill was amortised using the straight-line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences were recognised as income in the year of acquisition or over the weighted average useful lives of the acquired non- monetary assets. The carrying amount of goodwill was reviewed annually and provision was only made when, in the opinion of the Directors, there was impairment other than temporary in nature. The accounting policy has been changed to conform with HKFRS 3 "Business combinations" and as a result, the Group ceased to amortise goodwill as at 1 January 2005 and a prior period adjustment is not required.

2 New accounting policies *(Continued)*

2.2 Investments

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change of accounting policy relating to recognition, measurement, disclosure and presentation of financial assets. The Group classifies its investments in the following categories: financial assets at fair value through profit or loss (including other investments), loans and receivables, held to maturity investments and available-for-sale financial assets. As at period end, the Group did not have any financial assets at fair value through profit or loss and held to maturity investments.

Loans and receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Loans and receivables are carried at amortised cost using the effective interest method. Available for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities. In cases where the investments do not have a quoted market price in an active market, they are carried at cost less any accumulated impairment loss.

In previous years, securities intended to be held for indefinite long-term purpose or strategic reasons were included in the balance sheet under non-current assets and were carried at cost less provision. The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such investment was reduced to its fair value. The impairment loss was recognised as an expense in the income statement and was written back to income statement when the circumstances and events that led to the write-downs ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities. As a result of the above changes to the accounting policy, the investments previously recorded as long-term investments are reclassified as available-for-sale financial assets and the reserves have been increased by HK$1,088,000 as at 1 January 2005. The comparative amounts have not been restated.

3 Segment information

The Group is principally engaged in property investment and technology-related business. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located.

A summary of business segments is set out as follows:

	Property investment *HK$'000*	**Technology** *HK$'000*	**Corporate and others** *HK$'000*	**Group** *HK$'000*
Six months ended 30 June 2005				
Turnover	**–**	**32,792**	**18,131**	**50,923**
Segment results	**(12)**	**(2,000)**	**(14,458)**	**(16,470)**
Financial expenses				**(107)**
Loss attributable to shareholders				**(16,577)**
As at 30 June 2005				
Segment assets	161	22,658	–	22,819
Unallcated assets				29,114
Total assets				51,933
Segment liabilities	–	27,248	–	27,248
Unallcated liabilities				20,656
Total liabilities				47,904
Six months ended 30 June 2004				
Turnover	590	24,604	2,940	28,134
Segment results	(11,172)	(1,091)	(13,469)	(25,732)
Financial expenses				(1,728)
Loss attributable to shareholders				(27,460)
As at 31 December 2004				
Segment assets	161	14,656	–	14,817
Unallcated assets				64,510
Total assets				79,327
Segment liabilities	4,885	21,624	–	26,509
Unallcated liabilities				21,602
Total liabilities				48,111

3 Segment information *(Continued)*

A summary of geographical segments is set out as follows:

	Turnover		Operating results	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**44,616**	28,134	**(16,571)**	(24,803)
Mainland China	**6,307**	–	**101**	(929)
	50,923	28,134	**(16,470)**	(25,732)

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**41,719**	70,148
Mainland China	**10,214**	9,179
	51,933	79,327

4 Operating loss

	2005	2004
	HK$'000	*HK$'000*
Operating loss is stated after charging:		
Cost of inventories sold	**26,713**	19,477
Depreciation	**372**	457
Operating lease rental expenses for land and buildings	**246**	231
Provision for doubtful debts	**464**	–
Provision for inventory obsolescence	**1,781**	–
Staff costs (including Directors' emoluments)	**8,564**	9,739
Amortisation of goodwill	**–**	541

5 Financial expenses

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**93**	969
Interest on short-term loans	**–**	745
Interest on finance lease obligations wholly repayable within five years	**14**	14
	107	1,728

6 Taxation

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2004: Nil).

The Group has not made any provision for the tax liabilities of a subsidiary company amounting to HK$89.5 million in respect of its profit from the disposal of properties in 1994 and 1995, details of which are more fully described in note 9 to the 2004 annual financial statements.

7 Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the period of HK$16,577,000 (2004: HK$27,460,000) and on the weighted average of 610,584,391 (2004: 490,584,391) shares in issue during the period. Diluted loss per share is not presented as there are no dilutive potential shares in issue during the period.

8 Debtors and prepayments

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Trade debtors	**14,689**	4,237
Other debtors	**441**	107
Deposits and prepayments	**2,194**	3,456
	17,324	7,800

The credit terms granted to trade debtors in respect of sales of electronic components are usually 30 to 90 days. Rental income from tenants is due and payable in advance. The ageing analysis of the Group's trade debtors, based on the dates of the invoices, net of provision for impairment, is as follows:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Below 30 days	**8,857**	1,145
30 to 90 days	**5,572**	2,066
91 to 180 days	**40**	649
Over 180 days	**220**	377
	14,689	4,237

9 Creditors and accruals

	30 June 2005 HK$'000	31 December 2004 HK$'000
Trade creditors	**24,934**	15,524
Other creditors and accrued expenses	**15,045**	18,269
Bill payables	**840**	3,982
Amount due to a Director	**–**	2,924
	40,819	40,699

The amount payable to the Director, Mr. Tong Nai Kan, was unsecured, interest free and had no specific repayment terms.

The ageing analysis of the Group's trade creditors, based on the dates of the invoices, is as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
Below 30 days	**6,301**	1,186
30 to 90 days	**9,968**	7,631
91 to 180 days	**8,166**	6,389
Over 180 days	**499**	318
	24,934	15,524

10 Borrowings

	30 June 2005 HK$'000	31 December 2004 HK$'000
Obligations under finance leases wholly payable within five years	**824**	970
Current portion included under current liabilities	**(291)**	(291)
	533	679

11 Share capital

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.25 each	**250,000**	250,000
Issued and fully paid:		
610,584,391 shares of HK$0.25 each	**152,646**	152,646

12 Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
2005	**855**	4,608
2006	**1,469**	4,132
2007	**–**	191
	2,324	8,931

The future aggregate minimum lease rental income in respect of land and building under non-cancellable operating leases is receivable in the following years:

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
2005	147	–
2006	114	–

13 Contingent liabilities

The Company has provided guarantees in respect of finance lease obligations granted to subsidiary companies amounting to HK$824,000 (31 December 2004: HK$970,000).