NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

1. CORPORATE INFORMATION

During the year, the Group was engaged in the following activities:

– Manufacture and sale of electronic components
– Manufacture and sale of contact and contactless smart card readers and related products
– General trading
– Property holding
– Investment holding

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"), and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

They have been prepared under the historical cost convention, modified with respect to the measurement of investment properties, certain properties, plant and equipment and other investments, as explained in the respective accounting policies below.

Adoption of Statement of Standard Accounting Practice

During the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill on consolidation

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of acquisitions of subsidiaries:

(i) before 1 January 2001, positive goodwill is eliminated against reserves; and

(ii) since 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in consolidated balance sheet at cost less accumulated amortisation and impairment losses, if any.

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated in the Company's balance sheet at cost less provisions, for any impairment, as determined by the Directors. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is a company, not being a subsidiary, in which the Group holds a substantial long-term interest in the equity share capital and over which the Group is in a position to exercise significant management influence.

The consolidated profit and loss account includes the Group's share of results of associates for the year, and amortisation and impairment losses of goodwill, if any. The consolidated balance sheet includes the Group's share of net assets, after attributing fair values to the net assets at the date of acquisition.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Properties, plant and equipment

Properties, plant and equipment, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment.

The cost of an item of property, plant and equipment (an "Item") comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the Item has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the Item, the expenditure is capitalised as an additional cost of the Item.

When, in the opinion of the Directors, the recoverable amounts of properties, plant and equipment have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Reductions of the carrying value are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

The gain or loss on disposal or retirement of an Item recognised in the profit and loss account is the difference between the sale proceeds and the carrying amount of the relevant Item, and is recognised in the profit and loss account. On disposal of a revalued Item, the relevant portion of the revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over unexpired lease terms
Buildings	2% – 5%
Leasehold improvements	18% – 20% or over the lease terms whichever is shorter
Plant and machinery	10% – 25%
Furniture and equipment	12.5% – 30%
Motor vehicles	20% – 33%

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are those properties which are held for their investment potential, are income producing and are intended to be held on a long term basis. They are stated at their open market values on the basis of annual valuations. Any surplus or deficit on revaluation is taken to the investment properties revaluation reserve unless the total of this reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, the surplus is credited to the profit and loss account to the extent of the deficit previously charged.

The gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset, is recognised in the profit and loss account. Any revaluation reserve balance attributable to the relevant asset being sold is transferred to retained profits upon disposal of the asset.

Long term investments

Long term investments are stated in the balance sheet at cost less any provision for impairment, as determined by the Directors.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are valued at the lower of cost, on the weighted average basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost includes direct materials, direct labour, sub-contracting charges and, where applicable, production overheads. Net realisable value is determined by reference to estimated selling prices less all further costs to be incurred in selling and distribution.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a 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.

Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement associated with ownership, nor effective control over the goods sold;

(b) proceeds on disposals of investments, including interests in subsidiaries, associates, investments in listed and unlisted shares and disposals of investment properties and fixed assets, when all conditions for disposal have been met and the risks and rewards of ownership have been transferred to the buyer;

(c) rental income, on the straight-line basis over the lease terms;

(d) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(e) dividends, when the shareholders' right to receive payment is established.

Segment reporting

For reporting purposes, segment assets include those operating assets that are employed by a segment and segment liabilities include those operating liabilities that result from the operating activities by a segment, excluding tax assets and liabilities. Capital expenditure comprises additions to properties, plant and equipment. Business segments have been used as the primary reporting format.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the relevant lease term.

Retirement costs

The Group operates two approved defined contribution retirement benefits schemes for employees: a Mandatory Provident Fund ("MPF") Exempted Occupational Retirement ("ORSO") Scheme and a MPF Scheme under the Mandatory Provident Fund Schemes Ordinance within the Group. The ORSO Scheme requires the Group to contribute 5% to 10% of the employees' monthly basic salaries and requires the employees to contribute 5% of their monthly basic salaries, whilst the MPF Scheme requires both the Group and the employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,000 per month. Under the ORSO Scheme, the unvested portion of the benefits in respect of employees on termination of employment can be utilised by the Group to reduce its future levels of contributions. The assets of both the ORSO Scheme and the MPF Scheme are held separately from those of the Group in independently administered funds. The contributions payable to these schemes are charged to the profit and loss account as incurred.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. All foreign currency transactions during the year are converted at the exchange rates existing on the respective transaction dates. All exchange differences are credited or charged, respectively, to the consolidated profit and loss account.

The exchange differences arising from the translation of the balance sheets of foreign subsidiaries using the closing rates of exchange prevailing on the balance sheet date are taken directly to reserve. Profit and loss accounts of foreign subsidiaries accounted for under the net investment method are translated into Hong Kong dollars using average rate for the year. The differences between the profit and loss accounts translated at average rate and at closing rate are taken directly to exchange fluctuation reserve.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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 profit will be available to allow all or part of the assets 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 realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification cash equivalents represent assets similar in nature to cash and also include time deposits and guarantee funds pledged.

3. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods sold and rental income, but excludes intra-group transactions.

	Group	
	2003	2002
	HK$'000	HK$'000
Sale of electronic and related products	**120,242**	120,664
Sale of smart card readers and related products	**9,295**	14,510
Trading	**117,741**	–
Rental income	**1,095**	1,253
	248,373	136,427

4. SEGMENT INFORMATION

An analysis of the Group's revenue, results, assets, liabilities and capital expenditure for the year by business and geographical segments, as compared to the previous year, is as follows:

(a) Business segments

	Electronic Components		Smart Card Technology		Property Investments		Trading		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE	**120,242**	120,664	**9,295**	14,510	**1,095**	1,253	**117,741**	–	**248,373**	136,427
SEGMENT PROFIT/(LOSS)	**7,421**	6,868	**38**	(17,480)	**552**	753	**2,687**	–	**10,698**	(9,859)
Interest and other income									**5,262**	2,585
Profit on disposal of subsidiaries									**2,157**	4,195
Gain on deemed disposal of associates									**3,404**	–
Gain on long term investments									**20,200**	–
Profit on disposal of investment properties									**2,477**	–
Write back of impairment of long term investments									**5,000**	–
Amortisation on goodwill of subsidiaries									**(695)**	–
Amortisation and impairment on goodwill of associates									**(10,984)**	(127,049)
Impairment of investment properties									**(4,000)**	(14,658)
Impairment of long term investments									**–**	(24,480)
Unallocated administrative and other operating expenses									**(16,899)**	(31,654)
Finance costs									**(2,299)**	(2,313)
Share of results of associates									**(1,374)**	(4,147)
PROFIT/(LOSS) BEFORE TAXATION									**12,947**	(207,380)
TAXATION									**2,341**	1,039
PROFIT/(LOSS) BEFORE MINORITY INTERESTS									**15,288**	(206,341)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Electronic Components		Smart Card Technology		Property Investments		Trading		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS										
Segment assets	**99,732**	89,786	**4,138**	6,863	**18,000**	31,249	**16,196**	–	**138,066**	127,898
Unallocated assets									**132,454**	103,352
									270,520	231,250
LIABILITIES										
Segment liabilities	**54,435**	49,744	**3,099**	7,968	**263**	168	**1,669**	–	**59,466**	57,880
Unallocated liabilities									**3,971**	10,250
									63,437	68,130
CAPITAL EXPENDITURE										
Segment	**7,914**	6,472	**54**	2,813	**–**	–	**9**	–	**7,977**	9,285
Other									**476**	1,178
									8,453	10,463
DEPRECIATION AND AMORTISATION										
Segment	**2,571**	2,747	**189**	771	**–**	110	**474**	–	**3,234**	3,628
Other									**2,575**	10,925
									5,809	14,553
IMPAIRMENT LOSS										
Segment	**–**	–	**–**	–	**4,000**	14,658	**–**	–	**4,000**	14,658
Other									**8,945**	140,897
									12,945	155,555

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical area

	Asia		Europe		United States of America		Consolidated	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
REVENUE	246,031	130,148	983	4,619	1,359	1,660	248,373	136,427
SEGMENT PROFIT/(LOSS)	10,558	(6,065)	56	(3,910)	84	116	10,698	(9,859)
Interest and other income							5,262	2,585
Profit on disposal of subsidiaries							2,157	4,195
Gain on deemed disposal of associates							3,404	–
Gain on long term investments							20,200	–
Profit on disposal of investment properties							2,477	–
Write back of impairment of long term investments							5,000	–
Amortisation on goodwill of subsidiaries							(695)	–
Amortisation and impairment on goodwill of associates							(10,984)	(127,049)
Impairment of investment properties							(4,000)	(14,658)
Impairment of long term investments							–	(24,480)
Unallocated administrative and other operating expenses							(16,899)	(31,654)
Finance costs							(2,299)	(2,313)
Share of results of associates							(1,374)	(4,147)
PROFIT/(LOSS) BEFORE TAXATION							12,947	(207,380)
TAXATION							2,341	1,039
PROFIT/(LOSS) BEFORE MINORITY INTERESTS							15,288	(206,341)

The Group's assets and liabilities are principally located in Asia. Accordingly, segment assets, segment liabilities and other information by geographical area are not separately shown.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2003	2002
	Notes	**HK$'000**	HK$'000
Consultancy fee paid by the Company to Princeton Venture Partners Limited	(a)	**750**	2,300
Interest income charged to Princeton Venture Partners Limited	(b)	**302**	599
Disposal of long term investments to Princeton Venture Partners Limited	(a)	**22,000**	–
Consultancy fee paid to the Company by Bizipoint Company Limited	(a)	**90**	–
Interest income charged to Bizipoint Company Limited	(c)	**18**	–
Rental income charged to Bizipoint Company Limited	(a)	**200**	–

Notes:

(a) The considerations were determined through negotiations between the respective parties.

(b) Interest income was calculated at 3% per annum.

(c) Interest income was calculated at 7% per annum.

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

This is arrived at after crediting:

	Group	
	2003	2002
	HK$'000	HK$'000
Gross rental income	**1,095**	1,253
Less: outgoings	**(543)**	(500)
Net rental income	**552**	753
Interest income	**816**	1,125
Profit on disposal of subsidiaries	**2,157**	4,195
Gain on deemed disposal of associates	**3,404**	–
Gain on long term investments	**20,200**	–
Profit on disposal of investment properties	**2,477**	–
Write back of impairment of long term investments	**5,000**	–
and after charging:		
Amortisation on goodwill of subsidiaries	**695**	–
Amortisation and impairment on goodwill of associates	**10,984**	127,049
Auditors' remuneration:		
Hong Kong	**1,230**	1,372
Overseas	**–**	–
Bad and doubtful debts	**1,050**	1,581
Cost of inventories sold	**219,920**	111,955
Depreciation on properties, plant and equipment	**3,075**	3,921
Impairment of investment properties	**4,000**	14,658
Impairment of long term investments	**–**	24,480
Loss on disposal of properties, plant and equipment	**892**	1,375
Operating lease rentals for land and buildings	**2,436**	2,499
Staff costs:		
Wages and salaries (including Directors' emoluments)	**19,208**	27,688
Retirement fund contributions	**92**	660

7. FINANCE COSTS

	Group 2003 HK$'000	2002 HK$'000
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	**1,986**	1,912
Finance lease	**5**	202
Other	**308**	199
	2,299	2,313

8. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group 2003 HK$'000	2002 HK$'000
Fees	**200**	200
Salaries and other benefits	**7,470**	9,110
Contributions to retirement schemes	**46**	112
	7,716	9,422

Emoluments paid to Independent non-executive Directors during the year were HK$200,000 (2002: HK$200,000).

There were no arrangements under which a Director waived or agreed to waive any emolument during the year.

Emoluments of the Directors fell within the following bands:

	Group 2003 Number of Directors	2002 Number of Directors
HK$Nil to HK$1,000,000	**8**	5
HK$1,000,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	10	9

8. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2002: four) were Directors of the Company whose emoluments have been included in note 8(a) above.

9. TAXATION

Provision for Hong Kong profits tax has been made at the current rate of taxation of 17.5% on the estimated assessable profit for the year (2002: Nil). The tax credit for the year relates to the overprovision of tax in the prior year. Taxes on income earned outside Hong Kong have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

	Group	
	2003	2002
	HK$'000	HK$'000
Current year provision:		
Hong Kong	**208**	–
Outside Hong Kong	**–**	56
	208	56
Prior years under/(over) provision:		
Hong Kong	**77**	(30)
Outside Hong Kong	**(2,711)**	–
	(2,634)	(30)
	(2,426)	26
Share of tax in associates	**–**	–
Deferred tax – *note 23*	**85**	(1,065)
Tax credit for the year – net	**(2,341)**	(1,039)

9. TAXATION *(Continued)*

Tax credit for the year can be reconciled to the profit/(loss) before taxation per profit and loss account as follows:

	2003	2002
	HK$'000	HK$'000
Profit/(loss) before taxation	**12,947**	(207,380)
Tax at the domestic income tax rate of 17.5% (2002: 16%)	**2,267**	(33,181)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,710)**	(718)
Tax effect of expenses that are not deductible in determining taxable profit/(loss)	**7,154**	32,282
Tax effect of tax depreciation not recognised	**104**	(56)
Tax effect of income that are not taxable in determining taxable profit/(loss)	**(13,130)**	(5,476)
Tax effect of unused tax losses not recognised	**5,608**	6,140
Over provision in prior year	**(2,634)**	(30)
Tax credit for the year	**(2,341)**	(1,039)

10. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK$11,235,000 (2002 loss: HK$191,725,000).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders of HK$10,859,000 (2002 loss: HK$192,944,000) and the weighted average of 61,456,891 shares (2002: 50,404,084 shares) in issue during the year.

The diluted earnings per share for the year ended 31 December 2003 was HK$0.18. This is based on the net profit attributable to shareholders of HK$10,859,000 and the weighted average of 61,605,423 shares which is adjusted for the effect of share options issued during the year. That for the year ended 31 December 2002 has not been shown as there were no outstanding warrants and share options and it also has an anti-dilutive effect.

12. PROPERTIES, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
1 January 2003	2,122	12,268	7,898	1,314	**23,602**
Additions	3,729	3,759	855	6	**8,349**
Disposals	(1,872)	(581)	(589)	–	**(3,042)**
Acquisition of subsidiaries	–	–	117	–	**117**
Disposal of subsidiaries	–	–	(126)	–	**(126)**
31 December 2003	3,979	15,446	8,155	1,320	**28,900**
Accumulated depreciation					
1 January 2003	1,371	9,285	6,485	986	**18,127**
Charge for the year	884	1,364	635	192	**3,075**
Disposals	(1,472)	(423)	(255)	–	**(2,150)**
Acquisition of subsidiaries	–	–	13	–	**13**
Disposal of subsidiaries	–	–	(24)	–	**(24)**
31 December 2003	783	10,226	6,854	1,178	**19,041**
Net book value					
31 December 2003	**3,196**	**5,220**	**1,301**	**142**	**9,859**
31 December 2002	751	2,983	1,413	328	5,475

13. INVESTMENT PROPERTIES

	Group 2003 HK$'000	2002 HK$'000
1 January, at valuation	**31,200**	14,200
Acquisition of subsidiary	**–**	36,658
Disposals	**(9,200)**	(5,000)
Impairment	**(4,000)**	(14,658)
31 December, at valuation	**18,000**	31,200
Analysed by lease term and geographical location:		
Medium term leasehold properties situated outside Hong Kong	**18,000**	31,200

The investment property was revalued by reference to appraisals made by Dudley Surveyors Limited, chartered surveyors, on an open market value basis based on its existing use on 31 December 2003.

Details of the investment property of the Group as at 31 December 2003 are as follows:

Location	**Lease**	**Term Use**
No. 15, Lane 2, Bao An County, Gong Yuan Road East, Shenzhen, PRC	Medium term lease	Industrial

14. LONG TERM INVESTMENTS

	Group 2003 HK$'000	2002 HK$'000
Unlisted equity investments, at cost	**66,147**	72,230
Loan receivable	**–**	2,500
Listed investments, in Hong Kong Stock Exchange, at cost	**144**	144
	66,291	74,874
Less: provision for impairment	**(9,579)**	(24,480)
Net carrying value	**56,712**	50,394
Listed investments, at market value	**65**	115

During the year, the Group completed the acquisition from the liquidators of a large group of companies operating in Hong Kong, Macau and China, a loan with a gross value of HK$23,700,000 ("The Loan") advanced to a timber company which controls substantial timber concessions in South America ("Timberco") for a total cash consideration of HK$3,500,000. The Loan was subsequently converted into the shares of Timberco equivalent to HK$23,700,000 upon its successful financial restructuring in September 2003.

In the opinion of the Directors, the underlying values of the long term investments were not less than their carrying values at the balance sheet date.

15. INTERESTS IN SUBSIDIARIES

	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted shares, at cost	**1**	1,374
Due from subsidiaries	**404,875**	1,011,540
Due to subsidiaries	**(1)**	(5,892)
	404,875	1,007,022
Less: provision	**(224,129)**	(864,636)
	180,746	142,386

HK$14,038,000 due from a subsidiary is interest bearing and repayable on demand. Except for the above, the amounts due from/to subsidiaries are unsecured, interest-free and they do not have any fixed terms for repayment.

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2003	Equity interest owned by the Group 2002	Principal activities
Directly held:					
Barnet Consultancy Limited	British Virgin Islands	US$1	100%	100%	Provision of consultancy services
Clever Able Investments Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Clever United Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Crown Tech Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding
E-opportunity Limited	British Virgin Islands	US$1	100%	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2003	Equity interest owned by the Group 2002	Principal activities
Directly held: (Continued)					
Giant Assets Limited	British Virgin Islands	US$1	100%	100%	Investment holding
O2New Technology Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Olympic Glory Limited	British Virgin Islands	US$1	100%	100%	Investment holding
OmniSports Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Proven Sino Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding
Smart Union International Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Touchstone Trading Limited	British Virgin Islands	US$1	100%	–	Investment holding
Indirectly held:					
Asia eMarket Limited	British Virgin Islands	US$152	A-share 96.2%	A-share 96.2%	Investment holding
Prosperous Returns Limited	Hong Kong	HK$2	100%	100%	Corporate services
Super Intellect Limited	Hong Kong	HK$2	100%	100%	Corporate services

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2003	Equity interest owned by the Group 2002	Principal activities
Indirectly held: (Continued)					
Vandyke Limited	British Virgin Islands	US$1,000	100%	100%	Property holding
Sino Trade Enterprises Holdings Limited	British Virgin Islands	US$10	60.0%	–	Investment holding
Sino Trade Enterprises Limited	Hong Kong	HK$20,000	60.0%	–	General trading
Omnitech Holdings Limited	Bermuda/ Australia	AUD2,345,635	51.6%	50.2%	Investment holding
Lik Hang Holdings Limited	British Virgin Islands	US$910,000	51.6%	50.2%	Manufacture and sale of electronic components
VFJ Technology Holdings Limited	British Virgin Islands	US$2,594,724	35.6%	34.7%	Manufacture and sale of contact and contactless smart card readers
Unicom Group Limited	British Virgin Islands	US$100	63.0%	–	Investment holding
Emerald Capital Limited	British Virgin Islands	US$30	63.0%	–	General trading

15. INTERESTS IN SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Except for Vandyke Limited and Lik Hang Holdings Limited which operate in the PRC, all other principal subsidiaries operate in Hong Kong.

In the opinion of the Directors, the underlying values of interests in subsidiaries were not less than their carrying values at the balance sheet date.

16. GOODWILL

	HK$'000
Cost	
1 January 2003	–
Additions	10,892
31 December 2003	10,892
Accumulated amortisation	
1 January 2003	–
Amortisation	695
31 December 2003	695
Net book value	
31 December 2003	10,197
31 December 2002	–

17. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets/(liabilities)	**5,265**	(5,229)
Net book value of goodwill – see below	**10,375**	23,691
	15,640	18,462
Loans to associates	**30,800**	13,000
Amount due from an associate	**295**	–
Interest receivable on loans to associates	**1,665**	1,596
	48,400	33,058

The loans to associates as at 31 December 2003 are unsecured, interest bearing (except for HK$364,000 is non interest bearing) and there are no fixed terms for repayment (except for HK$7,250,000 which are repayable in 2005).

The loan to an associate as at 31 December 2002 was unsecured, interest bearing and was repaid in 2003.

Movements in goodwill:

	HK$'000
Cost	
1 January 2003	223,691
Additions	725
Disposals	(4,416)
31 December 2003	220,000
Accumulated amortisation	
1 January 2003	200,000
Amortisation and impairment	10,984
Reclassification from impairment of long term investments	1,400
Disposals	(2,759)
31 December 2003	209,625
Net book value	
31 December 2003	10,375
31 December 2002	23,691

17. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the Group's principal associates are as follows:

Name of associate	Class of shares held	Place of incorporation/ operation	Equity interest owned by the Group 2003	2002	Principal activities
Bizipoint Group Limited	Ordinary	British Virgin Islands/ Hong Kong	41.0%	41.0%	E-business consulting services
Bizipoint Company Limited	Ordinary	Hong Kong/ Hong Kong	41.0%	41.0%	E-business consulting services
Beijing Zhong Shang Hui Xin Network Technology Development Company Limited	Registered Capital	PRC/PRC	36.9%	36.9%	E-business consulting services
PVP Limited	Ordinary	British Virgin Islands/ Hong Kong	37.2%	50.0%	Investment holding and consultancy
Princeton Venture Partners Limited	Ordinary	British Virgin Islands/ Hong Kong	37.2%	50.0%	Investment holding and consultancy

The above table lists the principal associates of the Group which, in the opinion of the Directors, principally affected the results of the year, or formed a substantial portion of the net assets of the Group.

An impairment loss of HK$6,527,000 (2002: HK$116,417,000) was made at the balance sheet date against the cost of the goodwill relating to Bizipoint Group Limited to reflect the impairment in the fair values of the associate's assets at 31 December 2003.

17. INTERESTS IN ASSOCIATES *(Continued)*

Information relating to Bizipoint Group Limited and its subsidiaries ("Bizipoint Group") and PVP Limited and its subsidiaries ("PVP Group") as required by SSAP 10 (revised) "Accounting for investments in associates" is as follows:

Bizipoint Group

	2003	2002
	HK$'000	HK$'000
Turnover	**4,441**	4,896
Profit/(loss) for the year	**493**	(1,948)
Long-term assets	**178**	452
Current assets	**575**	2,302
Current liabilities	**(2,034)**	(1,026)
Deferred income	**(5,333)**	(9,333)

PVP Group

	2003	2002
	HK$'000	HK$'000
Turnover	**9,700**	4,409
Profit/(loss) for the year	**1,124**	(4,446)
Long-term assets	**48,826**	5,186
Current assets	**6,828**	11,515
Current liabilities	**(1,911)**	(6,932)
Long-term liabilities	**(30,897)**	(13,000)

18. INVENTORIES

	Group 2003 HK$'000	2002 HK$'000
Raw materials	**26,008**	28,217
Finished goods	**4,637**	2,484
	30,645	30,701

The amount of inventories stated at net realisable value is HK$93,000 (2002: HK$1,963,000).

19. TRADE AND OTHER RECEIVABLES

The aging analysis of trade and other receivables (net of provision for doubtful debts) is as follows:

	Group 2003 HK$'000	2002 HK$'000
Current	**38,804**	29,535
One to three months	**7,859**	13,979
More than three months	**17,145**	518
	63,808	44,032

The Group allows an average credit period of 30 to 45 days to its trade customers.

20. CASH AND BANK BALANCES

Cash and bank balances represent cash on hand and at banks and include time deposits and guarantee funds of HK$16,278,000 (2002: HK$15,847,000) pledged as security for general banking facilities provided to certain subsidiaries.

21. TRADE AND OTHER PAYABLES

The aging analysis of trade and other payables is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current	**14,455**	11,964
One to three months	**4,597**	10,817
More than three months	**4,709**	7,137
	23,761	29,918

22. INTEREST BEARING BANK BORROWINGS

	Group	
	2003	2002
	HK$'000	HK$'000
Due within one year:		
Bank overdrafts-secured	**6,095**	4,193
Bank import loans-secured	**33,295**	28,598
Bank loan-unsecured	**–**	357
	39,390	33,148

The above secured bank borrowings are secured by charges over time deposits and guarantee funds of approximately HK$16,278,000 (2002: HK$15,847,000), and against guarantees issued by certain subsidiaries and a Director of these subsidiaries.

23. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	HK$'000
1 January	**–**	1,302
Release to profit and loss account – *note 9*	**85**	(1,065)
Disposals of subsidiaries	**–**	(237)
31 December	**85**	–

The principal components of the Group's deferred tax liabilities provided for/(deferred tax assets recognised), and the amounts not provided/(not recognised) are as follows:

	Group			
	Provided		Not provided	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated capital allowances	**85**	–	**11**	113
Tax losses	**–**	–	**(37,057)**	(100,501)
	85	–	**(37,046)**	(100,388)

No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

24. SHARE CAPITAL

Share

	Number of ordinary shares of HK$0.01	Amount HK$'000
Authorized:		
1 January 2003 and 31 December 2003	15,000,000,000	150,000
Issued and fully paid:		
1 January 2003	53,289,768	533
Issue of new shares	21,000,000	210
31 December 2003	74,289,768	743

During the year, the following changes in the share capital of the Company were recorded :

(a) On 1 April 2003, the Company raised HK$13 million by issuing 10,000,000 new shares at HK$1.3 per share; and

(b) On 11 December 2003, the Company raised HK$15 million by issuing 11,000,000 new shares at HK$1.38 per share.

Share options

At the Special General Meeting held on 22 March 2002, a new share option scheme in compliance with the new listing requirements was approved for adoption by the Company. Please refer to the Report of the Directors for details.

At the balance sheet date, there were 2,800,000 share options granted and 2,720,000 share options outstanding under the share option scheme adopted by the Company on 22 March 2002.

25. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
1 January 2002	745,032	460,074	12,173	(1,027,632)	189,647
Issue of new shares	86,050	–	–	–	86,050
Share issue expenses	(2,764)	–	–	–	(2,764)
Transfer on re-organisation	(781,232)	(430,000)	–	1,211,232	–
Capital reduction	–	53,200	–	–	53,200
Share repurchase	(769)	–	–	–	(769)
Release on disposal of subsidiaries	–	–	(537)	–	(537)
Currency translation differences	–	–	(366)	–	(366)
Loss for the year	–	–	–	(192,944)	(192,944)
31 December 2002 and 1 January 2003	46,317	83,274	11,270	(9,344)	131,517
Issue of new shares	27,970	–	–	–	27,970
Share issue expenses	(901)	–	–	–	(901)
Currency translation differences	–	–	(998)	–	(998)
Profit for the year	–	–	–	10,859	10,859
31 December 2003	**73,386**	**83,274**	**10,272**	**1,515**	**168,447**

Included in the Group's retained profit at 31 December 2003 were accumulated losses of HK$10,504,000 (2002: HK$9,130,000) relating to associates.

25. RESERVES *(Continued)*

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
1 January 2002	745,032	502,176	(1,050,553)	196,655
Issue of new shares	86,050	–	–	86,050
Share issue expenses	(2,764)	–	–	(2,764)
Transfer on re-organisation	(781,232)	(430,000)	1,211,232	–
Capital reduction	–	53,200	–	53,200
Share repurchase	(769)	–	–	(769)
Loss for the year	–	–	(191,725)	(191,725)
31 December 2002 and 1 January 2003	46,317	125,376	(31,046)	140,647
Issue of new shares	27,970	–	–	27,970
Share issue expenses	(901)	–	–	(901)
Profit for the year	–	–	11,235	11,235
31 December 2003	**73,386**	**125,376**	**(19,811)**	**178,951**

The Company's contributed surplus, which arose from the Group reorganisation on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the shares in the subsidiaries and the fair value of the consolidated net asset value of the acquired subsidiaries, reduced by distributions to shareholders.

Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is distributable to shareholders. The Companies Act of Bermuda also stipulates that a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash used in operations

	Group	
	2003	2002
	HK$'000	HK$'000
Profit/(loss) before taxation	**12,947**	(207,380)
Adjustments for:		
Profit on disposal of subsidiaries	**(2,157)**	(4,195)
Exchange gain	**(718)**	–
Interest income	**(816)**	(1,125)
Interest expenses	**2,299**	2,313
Depreciation on properties, plant and equipment	**3,075**	3,921
Bad and doubtful debts	**1,050**	1,581
Amortisation and impairment on goodwill of associates	**10,984**	127,049
Amortisation on goodwill of subsidiaries	**695**	–
Impairment of investment properties	**4,000**	14,658
Impairment of long term investments	**–**	24,480
Loss on disposal of properties, plant and equipment	**892**	1,375
Write back of impairment of long term investments	**(5,000)**	–
Gain on long term investments	**(20,200)**	–
Profit on disposal of investment properties	**(2,477)**	–
Gain on deemed disposal of associates	**(3,404)**	–
Share of results of associates	**1,374**	4,147
Operating profit/(loss) before working capital changes	**2,544**	(33,176)
Decrease in inventories	**56**	1,109
Increase in trade and other receivables	**(31,254)**	(6,170)
Decrease/(increase) in prepayments and deposits	**3,164**	(2,520)
Decrease in trade and other payables	**(2,058)**	(5,180)
(Decrease)/increase in deposits received	**(22)**	187
Net cash used in operations	**(27,570)**	(45,750)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

	Group	
	2003	2002
	HK$'000	HK$'000
Net assets disposed of:		
Properties, plant and equipment	**102**	7,523
Investment properties	**–**	5,000
Trade and other receivables	**25,567**	598,295
Prepayments and deposits	**–**	71
Cash and bank balances	**15,861**	111
Trade and other payables	**(20,923)**	(603,006)
Deposits received	**–**	(543)
Interest bearing bank borrowings	**(16,038)**	–
Taxation payable	**(2,068)**	(399)
Deferred tax	**–**	(237)
Minority interests	**(681)**	(309)
	1,820	6,506
Represented by:		
Cash received	**2,851**	–
Investment properties	**–**	36,658
Trade and other receivables	**1,126**	–
Minority interests	**–**	(26,494)
Profit on disposal	**(2,157)**	(4,195)
Exchange fluctuation reserve	**–**	537
	1,820	6,506

The subsidiaries disposed of during the year utilised HK$16,521,000 from the Group's net cash used in operations.

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26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

Analysis of net outflow of cash and cash equivalents in respect of the disposed subsidiaries:

	2003	2002
	HK$'000	HK$'000
Cash received	**2,851**	–
Cash and bank balances of disposed subsidiaries	**(15,861)**	(111)
	(13,010)	(111)

(c) Acquisition of subsidiaries

	Group	
	2003	2002
	HK$'000	HK$'000
Net assets acquired:		
Properties, plant and equipment	**104**	6,905
Inventories	**–**	31,810
Trade and other receivables	**13,700**	37,309
Prepayments and deposits	**180**	1,675
Cash and bank balances	**175**	(2,314)
Pledged time deposits	**10,000**	13,583
Trade and other payables	**(16,824)**	(24,301)
Taxation payable	**–**	(4,995)
Interest bearing bank borrowings	**(4,623)**	(25,260)
Minority interests	**(583)**	(1,416)
	2,129	32,996
Less: Minority interests	**(1,009)**	(16,416)
Transferred from associates	**–**	(6,864)
	1,120	9,716
Goodwill on consolidation	**10,892**	2,724
	12,012	12,440
Represented by:		
Cash paid	**12,012**	440
Share issued	**–**	12,000
	12,012	12,440

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

The subsidiaries acquired during the year utilised HK$12,000,000 from the Group's net cash used in operations between the date of acquisition and the balance sheet date.

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2003	2002
	HK$'000	HK$'000
Cash paid	**(12,012)**	(440)
Cash and bank balances of acquired subsidiaries	**175**	(2,314)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(11,837)**	(2,754)

(d) Major non-cash transaction

In May 2003, the Group entered into an agreement with an associate to convert part of the loan amounted to HK$6,750,000 into equity of the associate.

27. CONTINGENT LIABILITIES

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantee given to banks by subsidiaries	**73,043**	44,000	**–**	–

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28. COMMITMENTS

	Group 2003 HK$'000	Group 2002 HK$'000
Capital commitments		
– contracted for	–	1,012
– authorised but not contracted for	–	–
	–	1,012
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	**2,980**	4,732
In the second to fifth years, inclusive	**1,476**	4,473
After five years	–	–
	4,456	9,205
As lessor		
Within one year	**1,577**	–
In the second to fifth years, inclusive	**6,309**	–
After five years	**394**	–
	8,280	–

The Company has no capital or operating lease commitments.

29. SUBSEQUENT EVENTS

Subsequent to the balance sheet date on 25 March 2004, the Group entered into an agreement with an independent third party to dispose of its strategic investment in a manufacturing business in China for a consideration of HK$15,000,000.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 26 March 2004.