1. CORPORATE INFORMATION

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

- Manufacture and sale of electronic components and products
- Manufacture and sale of contact and contactless smart card readers and related products
- Design, manufacture, sale and marketing home furniture
- Trading of building materials and sundry products
- Property holding
- Investment holding

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment property which is stated at its fair value as explained in note 2 (i).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(b) Basis of preparation of financial statements *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. There are no critical accounting judgments in applying the Group's accounting policies.

(c) Adoption of new and revised Hong Kong Financial Reporting Standards

During the current year, the Group has adopted the new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. The new and revised HKFRSs which are relevant to the Group's operations are:–

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

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

(c) Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

The adoption of HKASs 2, 7, 8, 10, 12, 16, 18, 19, 23, 27, 37 and 39 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements. The effect of the adoption of the other HKFRSs is summarised as follows:–

HKAS 1 "Presentation of Financial Statements"

HKAS 1 has affected the presentation of minority interest on the face of the consolidated profit and loss account, consolidated balance sheet, consolidated statement of changes in equity and other disclosures.

HKAS 17 "Leases"

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The upfront prepayments made for land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is an impairment, the impairment is expensed in the profit and loss account. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment. The change in accounting policy has been applied retrospectively.

No reclassification of land use right from property, plant and equipment to operating leases has been made in the Group's financial statements as, in the opinion of the Directors, the land use right of the Group's leasehold property situated overseas did not have any commercial value. On 30 September 2005, the Group disposed of the leasehold property situated overseas. Accordingly, no reclassification of land use right from property, plant and equipment to operating leases is required in these financial statements.

There was no impact on opening retained profits from the adoption of HKAS 17.

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

(c) Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

HKAS 21 "The Effects of Changes in Foreign Exchange Rates"

HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for the respective entity's financial statements.

In order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill with effect from 1 January 2005. In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates ruling at the transaction dates. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and is retranslated at exchange rates ruling at the balance sheet date, together with the retranslation of the net assets of the foreign operation. In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and is only applied to acquisitions occurring on or after 1 January 2005. As the Group has not acquired any new foreign operations since that date, the change in policy has had no impact on the financial statements for the year ended 31 December 2005.

HKAS 24 "Related Party Disclosures"

As a result of the adoption of HKAS 24, the definition of related parties as disclosed in note 2 (y) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20 "Related Party Disclosures", still been in effect.

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

(c) Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

HKAS 32 "Financial Instruments: Disclosure and Presentation"

HKAS 32 has affected the disclosure of information to enhance understanding of the significance of financial instruments as to the Group's financial position, performance and cash flows, and assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments.

HKAS 40 "Investment Property"

The Group's investment property is stated at its open market value on the basis of annual valuation. In prior years, any surplus or deficit on revaluation was taken to the investment property revaluation reserve unless the total of this reserve was insufficient to cover a deficit, in which case the amount by which the deficit exceeded the amount in the reserve was charged to the profit and loss account. Following the adoption of HKAS 40, changes in fair value of the investment property are included in the profit and loss account. The change in accounting policy has been applied retrospectively. There was no impact on opening retained profits from the adoption of HKAS 40.

HKFRS 2 "Share-based Payment"

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees (including Directors) did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group recognises the fair value of the share options as an expense in the profit and loss account. A corresponding increase is recognised in a capital reserve within equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognise the fair value in the period in which the options are granted. The fair value of share options granted during the year has been determined by an external valuer using the Black-Scholes Model. The options are exercisable starting from the date of grant and the options have a contractual option term of five years. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The Group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to options granted after 7 November 2002 and vested before 31 December 2004.

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

(c) Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets"

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:–

Amortised on a straight-line basis over the economic useful life; and

Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:–

The Group ceased amortisation of goodwill from 1 January 2005;

Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

HKFRS 3 has been adopted prospectively after the adoption date.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2005. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

(d) Basis of consolidation *(Continued)*

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to fair values of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(e) Goodwill on consolidation

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

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

(e) Goodwill on consolidation *(Continued)*

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the profit and loss account.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investments in subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment losses. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(g) Investments in associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

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

(g) Investments in associates *(Continued)*

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(h) Property, plant and equipment and depreciation

Property, 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 item 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 property, 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.

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

(h) Property, plant and equipment and depreciation *(Continued)*

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:–

Buildings	2% – 5%
Leasehold improvements	18% – 20% or over the lease terms whichever is shorter
Plant and machinery	9% – 25%
Furniture and equipment	12.5% – 30%
Motor vehicles	18% – 33%

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment property is stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the profit and loss account. Rental income from investment property is accounted for as described in note 2(q).

(j) Long term investments

Long term investments are investments in equity instruments with no reliable fair value measurement and are stated at cost less any impairment as determined by the Directors.

(k) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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 the impairment loss (if any). 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.

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

(k) Impairment of assets *(Continued)*

Recoverable amount is the greater of net selling price 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 (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property 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 (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 had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, 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.

(l) 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

(m) Listed investments

Listed investments are investments in equity securities and are classified as financial assets measured at fair value through profit and loss. They are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investments basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at cost less allowance for bad and doubtful debts.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) 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.

(q) 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:–

– 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;

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

(q) Revenue *(Continued)*

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

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

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

- dividends, when the shareholders' right to receive payment is established.

(r) 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.

(s) 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.

(t) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to profit and loss account in the accounting period in which they are incurred.

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

(u) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes 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, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit and loss account for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital 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 capital 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 capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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.

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

(v) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(w) 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.

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

(w) Taxation *(Continued)*

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.

(x) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less advances from banks repayable within three months from the date of the advance. Bank overdrafts that 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.

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

(y) Related parties

A party is considered to be related to the Group if:–

– the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

– the party is an associate;

– the party is a member of the key management personnel of the Group;

– the party is a close member of the family of any individual referred to in i) or iii);

– 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 iii) or iv); or

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

3. TURNOVER

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

	Group	
	2005	2004
	HK$'000	HK$'000
Sales of electronic components and products	**162,077**	132,020
Sales of smart card readers and related products	**2,865**	6,761
Rental income	**1,577**	1,577
Sales of home furniture	**223,658**	33,956
Trading of building materials and sundry products	**3,096**	2,446
	393,273	176,760

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 and Products		Smart Card Technology		Property Investments		Home Furniture		Building Materials and Sundry Products		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE	**162,077**	132,020	**2,865**	6,761	**1,577**	1,577	**223,658**	33,956	**3,096**	2,446	**393,273**	176,760
SEGMENT PROFIT/(LOSS)	**8,137**	5,957	**(6,055)**	(2,416)	**1,048**	1,048	**33,428**	2,025	**(42)**	205	**36,516**	6,819
Interest and other income											**3,481**	6,567
Profit on disposal of subsidiaries											**–**	468
Gain on deemed disposal of associates											**–**	8
Gain on long term investments											**–**	18,997
Profit on disposal of long term investments											**–**	5,918
Write back of share of loss of an associate											**1,545**	–
Negative goodwill											**1,505**	–
Revaluation deficit on listed investments											**(8,206)**	–
Impairment of investment property											**(1,570)**	(6,000)
Impairment of long term investments											**–**	(25)
Amortisation on goodwill of subsidiaries											**–**	(763)
Amortisation and impairment on goodwill of associates											**(9,608)**	(767)
Write off of amounts due from associates											**(1,864)**	–
Write off of rental deposits											**(239)**	–
Bad and doubtful debts											**(698)**	(2,440)
Unallocated administrative and other operating expenses											**(18,372)**	(17,412)
Finance costs											**(7,538)**	(4,249)
Share of results of associates											**(391)**	1,862
(LOSS)/PROFIT BEFORE TAXATION											**(5,439)**	8,983
TAXATION											**(969)**	(340)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS											**(6,408)**	8,643

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Electronic Components and Products		Smart Card Technology		Property Investments		Home Furniture		Building Materials and Sundry Products		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS												
Segmented assets	**138,650**	109,650	**24,371**	3,371	**13,281**	12,000	**183,355**	103,105	**13,308**	1,864	**372,965**	229,990
Unallocated assets											**93,135**	186,972
											466,100	416,962
LIABILITIES												
Segment liabilities	**80,681**	53,927	**23,718**	5,973	**263**	263	**80,464**	88,269	**2,012**	1,316	**187,138**	149,748
Unallocated liabilities											**3,477**	10,495
											190,615	160,243
CAPITAL EXPENDITURE												
Segment	**6,681**	5,114	**6**	125	**-**	-	**2,970**	20,050	**-**	-	**9,657**	25,289
Other											**381**	715
											10,038	26,004
DEPRECIATION AND AMORTISATION												
Segment	**3,519**	2,994	**148**	164	**-**	-	**2,970**	400	**-**	-	**6,637**	3,558
Other											**279**	1,710
											6,916	5,268
IMPAIRMENT LOSS												
Segment	**-**	-	**-**	-	**1,570**	6,000	**-**	-	**-**	-	**1,570**	6,000
											1,570	6,000

4. SEGMENT INFORMATION (Continued)

(b) Geographical area

	Asia		Europe		United States of America		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE	**357,397**	166,772	**21,078**	6,759	**14,798**	3,229	**393,273**	176,760
SEGMENT PROFIT/(LOSS)	**31,781**	7,406	**3,150**	(688)	**1,585**	101	**36,516**	6,819
Interest and other income							**3,481**	6,567
Profit on disposal of subsidiaries							**–**	468
Gain on deemed disposal of associates							**–**	8
Gain on long term investments							**–**	18,997
Profit on disposal of long term investments							**–**	5,918
Write back of share of loss of an associate							**1,545**	–
Negative goodwill							**1,505**	–
Revaluation deficit on listed investments							**(8,206)**	–
Impairment of investment property							**(1,570)**	(6,000)
Impairment of long term investments							**–**	(25)
Amortisation on goodwill of subsidiaries							**–**	(763)
Amortisation and impairment on goodwill of associates							**(9,608)**	(767)
Write off of amounts due from associates							**(1,864)**	–
Write off of rental deposits							**(239)**	–
Bad and doubtful debts							**(698)**	(2,440)
Unallocated administrative and other operating expenses							**(18,372)**	(17,412)
Finance costs							**(7,538)**	(4,249)
Share of results of associates							**(391)**	1,862
(LOSS)/PROFIT BEFORE TAXATION							**(5,439)**	8,983
TAXATION							**(969)**	(340)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS							**(6,408)**	8,643

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	
		2005	2004
	Notes	**HK$'000**	HK$'000
Consultancy fee paid by the Group to Princeton Venture Partners Limited	(a)	**(150)**	–
Interest income charged to Princeton Venture Partners Limited	(b)	**288**	363
Rental income received from Princeton Venture Partners Limited	(a)	**315**	165
Consultancy fee received from Bizipoint Company Limited	(a)	**360**	–
Interest income charged to Bizipoint Company Limited	(b)	**75**	75
Rental income received from Bizipoint Company Limited	(a)	**30**	24

Notes:

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

(b) Interest income was calculated at 5% per annum (2004: 5%).

Remuneration for key management personnel, including amounts paid to the Company's Directors and highest paid emloyees as disclosed in note 8, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Short-term employee benefits	**7,971**	6,735
Post-employment benefits	**52**	57
Equity compensation benefits	**484**	–
	8,507	6,792

6. PROFIT FROM OPERATING ACTIVITIES

This is arrived at after crediting:

	Group	
	2005	2004
	HK$'000	HK$'000
Gross rental income	**1,577**	1,577
Less: outgoings	**(529)**	(529)
Net rental income	**1,048**	1,048
Interest income	**1,194**	2,575
Profit on disposal of subsidiaries	**–**	468
Gain on deemed disposal of associates	**–**	8
Gain on long term investments	**–**	18,997
Profit on disposal of long term investments	**–**	5,918
Write back of provisions	**339**	2,346
Negative goodwill	**1,505**	–
and after charging:		
Amortisation on goodwill of subsidiaries	**–**	763
Amortisation and impairment on goodwill of associates	**9,608**	767
Revaluation loss of listed investments	**8,206**	–
Auditors' remuneration	**1,297**	937
Bad and doubtful debts	**3,367**	4,270
Write off of amount due from associates	**1,864**	–
Cost of inventories sold	**316,388**	147,147
Depreciation on properties, plant and equipment	**6,916**	3,738
Impairment of investment properties	**1,570**	6,000
Impairment of long term investments	**–**	25
Loss on disposal of properties, plant and equipment	**1,415**	21
Operating lease rentals for land and buildings	**7,999**	3,026
Staff costs:		
Wages and salaries (including Directors' emoluments)	**34,783**	19,522
Retirement fund contributions	**1,796**	479
Employee share options	**1,015**	–

7. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	**3,536**	2,537
Other loan	**2,620**	1,063
Other	**1,382**	649
	7,538	4,249

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2004: nine) directors were as follows:

		Other emoluments			
	Fees	Salaries and other benefits	Contributions to retirement schemes	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Shaw Wen Fei	–	–	–	98	98
Lui Chun Bing, Tommy	1,100	1,708	7	98	2,913
Sung Kai Hing, Simon	–	190	5	98	293
Au Hoi Tsun, Peter	120	1,548	12	37	1,717
Hui Tung Wah, Samuel	–	1,005	6	98	1,109
Sung Yan Wai, Petrus	–	1,690	12	31	1,733
Chim Chun Kwan, Sandy	–	310	10	–	320
Wong Che Keung, Richard	100	–	–	8	108
Tong Yee Yung, Joseph	100	–	–	8	108
Wong Kin Chi	100	–	–	8	108
Total for 2005	1,520	6,451	52	484	8,507

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

(a) Directors' emoluments *(Continued)*

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Contributions to retirement schemes	Sub-total	Less: Prior year bonus waived	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Shaw Wen Fei	–	–	–	–	–	–
Lui Chun Bing, Tommy	–	2,940	12	2,952	–	2,952
Au Hoi Tsun, Peter	–	1,613	12	1,625	(310)	1,315
Sung Yan Wai, Petrus	–	1,069	12	1,081	–	1,081
Chim Chun Kwan, Sandy	–	294	12	306	–	306
Lee Hoong Seun	–	904	9	913	–	913
Wong Che Keung, Richard	100	–	–	100	–	100
Tong Yee Yung, Joseph	100	–	–	100	–	100
Wong Kin Chi	25	–	–	25	–	25
Total for 2004	225	6,820	57	7,102	(310)	6,792

Emoluments paid to Independent non-executive Directors during the year were HK$324,000 (2004: HK$225,000).

Except as disclosed above, there were no arrangements under which a Director waived or agreed to waived any emolument during the year.

(b) Employees' emoluments

During the year, the five highest paid individuals included four directors (2004: five directors), details of those emoluments are set out above. The emoluments of the remaining one (2004: nil) highest paid individual was as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	**991**	–
Contributions to retirement schemes	**12**	–
Share-based payment	**6**	–
	1,009	–

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

(b) Employees' emoluments *(Continued)*

The emoluments of the one (2004: nil) individual with the highest emoluments was within the following band:

	Group	
	2005	2004
	Number of employees	Number of employees
HK$1,000,001 to HK$1,500,000	**1**	–

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 (2004: 17.5%). 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	
	2005	2004
	HK$'000	HK$'000
Current year provision:		
Hong Kong	**276**	278
Outside Hong Kong	**720**	59
	996	337
Prior year under provision:		
Outside Hong Kong	**–**	44
	–	44
	996	381
Deferred tax – note 26	**(27)**	(41)
Taxation	**969**	340

9. TAXATION *(Continued)*

Taxation is reconciled to the (loss)/profit before taxation per profit and loss account as follows:

	2005 HK$'000	2004 HK$'000
(Loss)/profit before taxation	(5,439)	8,983
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	(952)	1,572
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	4,716	(1,863)
Tax effect of expenses that are not deductible in determining taxable profit	1,089	925
Tax effect of reduction in tax rates granted by local tax authorities	(1,020)	–
Tax effect of temporary differences not recognised	(303)	–
Tax effect of tax depreciation not recognised	2,078	–
Tax effect of income that are not taxable in determining taxable profit	(6,145)	(2,142)
Tax effect of unused tax losses not recognised	1,506	1,804
Prior year underprovision	–	44
Taxation	969	340

10. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$1,963,000 (2004: HK$2,320,000).

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK$19,791,000 (2004: profit of HK$7,175,000) and the weighted average of 140,691,370 shares (2004: 94,916,774 shares – adjusted for Open Offer) in issue during the Year.

No diluted loss per share is presented for the year ended 31 December 2005 as the exercise of share options outstanding would be anti-dilutive (2004: nil).

12. PROPERTIES, PLANT AND EQUIPMENT

Group

	Land and buildings situated overseas HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
1 January 2004	–	3,979	15,446	8,155	1,320	28,900
Additions	–	2,716	2,757	361	133	5,967
Disposals	–	–	(14)	(116)	(185)	(315)
Acquisitions of subsidiaries	4,255	1,835	21,101	1,461	2,768	31,420
Disposal of subsidiaries	–	–	–	(31)	–	(31)
31 December 2004 and 1 January 2005	4,255	8,530	39,290	9,830	4,036	65,941
Exchange difference	82	35	406	26	54	603
Additions	–	4,391	5,074	573	–	10,038
Disposals	(4,337)	(452)	(153)	(227)	(340)	(5,509)
31 December 2005	–	12,504	44,617	10,202	3,750	71,073

12. PROPERTIES, PLANT AND EQUIPMENT *(Continued)*

Group ***(Continued)***

	Land and buildings situated overseas HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation						
1 January 2004	–	783	10,226	6,854	1,178	19,041
Additions	33	1,036	2,018	532	119	3,738
Disposals	–	–	(5)	(104)	(185)	(294)
Acquisitions of subsidiaries	–	153	9,323	705	1,202	11,383
Disposal of subsidiaries	–	–	–	(4)	–	(4)
31 December 2004 and 1 January 2005	33	1,972	21,562	7,983	2,314	33,864
Exchange difference	1	2	184	11	24	222
Additions	200	1,896	3,693	612	515	6,916
Disposals	(234)	(135)	(153)	(62)	(340)	(924)
31 December 2005	–	3,735	25,286	8,544	2,513	40,078
Net book value						
31 December 2005	**–**	**8,769**	**19,331**	**1,658**	**1,237**	**30,995**
31 December 2004	4,222	6,558	17,728	1,847	1,722	32,077

13. INVESTMENT PROPERTY

	Group	
	2005	2004
	HK$'000	HK$'000
1 January, at valuation	**12,000**	18,000
Impairment	**(1,570)**	(6,000)
31 December, at valuation	**10,430**	12,000
Analysed by lease term and geographical location:		
Medium term leasehold properties situated outside Hong Kong	**10,430**	12,000

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 2005.

Details of the investment property of the Group as at 31 December 2005 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	
	2005	2004
	HK$'000	HK$'000
Unlisted equity investments, at cost	**23,700**	23,700

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	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**467,846**	418,281
Due to subsidiaries	**(1)**	(1)
	467,846	418,281
Less: provision	**(247,751)**	(224,129)
	220,095	194,152

The amounts due from/to subsidiaries are unsecured, interest-free and there are no fixed terms for repayment.

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of Incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2005	2004	Principal activities
Directly held:					
Hai Yang Investment Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Talent Sino Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Team Talent 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
Barnet Consultancy Limited	British Virgin Islands	US$1	100%	100%	Provision of corporate services
Best Start Services Limited	British Virgin Islands	US$1	96.2%	96.2%	Investment holding
Clever United Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of Incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2005	2004	Principal activities
Indirectly held: (Continued)					
Crown Tech Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Emerald Capital Limited	British Virgin Islands	US$30	63%	63%	General trading
Touchstone Trading Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Unicom Group Limited	British Virgin Islands	US$400	63%	63%	Investment holding
Up Crown International Limited	British Virgin Islands	US$1	96.2%	96.2%	Investment holding
Vandyke Limited	British Virgin Islands/ The People's Republic of China ("PRC")	US$1,000	100%	100%	Property holding
Omnitech Holdings Limited	Bermuda	AUD49,489,391	77%	51.6%	Investment holding
Lik Hang Holdings Limited	British Virgin Islands	US$1,166,800	77%	51.6%	Investment holding
VFJ Technology Holdings Limited	British Virgin Islands	US$2,594,724	53.2%	35.6%	Manufacture and sale of contact and contactless smart card readers

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of Incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2005	2004	Principal activities
Indirectly held: (Continued)					
Windsor Treasure Group Holdings Limited	British Virgin Islands	US$30,001	51.5%	51.5%	Investment holding
Great Ample Holdings Limited	British Virgin Islands	US$20,001	51.5%	51.5%	Investment holding
Glory Skill Investments Limited	British Virgin Islands	US$2,901	51.5%	51.5%	Investment holding
Springrich Investments Limited	British Virgin Islands	US$1	51.5%	–	Investment holding
Success Profit International Limited	British Virgin Islands	US$10,001	51.5%	51.5%	Investment holding
Hing Lee (China) Company Limited	Hong Kong	HK$18,010,000	51.5%	51.5%	Investment holding
Hing Lee Furniture Company Limited	British Virgin Islands	US$1	51.5%	–	Trading of furniture
Sharp Motion Worldwide Limited	British Virgin Islands	US$4	51.5%	51.5%	Trademark holding
深圳大豪興利家具實業有限公司	PRC	RMB10,000,000	33.5%	33.5%	Design, manufacture, sale and marketing of home furniture

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of Incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2005	2004	Principal activities
Indirectly held: (Continued)					
深圳興利家具有限公司	PRC	RMB30,000,000	51.5%	51.5%	Design, manufacture, sale and marketing of home furniture
東莞富豪家具有限公司	PRC	HK$8,080,000	40.2%	40.2%	Manufacture and sale of bed mattresses
深圳興利尊典家具有限公司	PRC	HK$10,000,000	51.5%	–	Design, manufacture, sale and marketing of home furniture
東莞興展家具有限公司	PRC	HK$8,000,000	40.2%	–	Manufacture and sale of bed mattresses

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.

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. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**50,689**	44,134
Net book value of goodwill – see below	**–**	9,608
	50,689	53,742
Loans to associates	**–**	9,114
Interest receivable on loans to associates	**–**	1,972
	50,689	64,828

Movements in goodwill:

	HK$'000
Cost	
1 January 2004, 31 December 2004 and 1 January 2005	220,000
Elimination of accumulated amortisation upon the application of HKFRS 3	(210,392)
Impairment	(9,608)
31 December 2005	–
Accumulated amortisation	
1 January 2004	209,625
Amortisation	767
31 December 2004 and 1 January 2005	210,392
Elimination of accumulated amortisation upon the application of HKFRS 3	(210,392)
31 December 2005	–
Net book value	
31 December 2005	–
31 December 2004	9,608

16. INTERESTS IN ASSOCIATES *(Continued)*

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

Name of associate	Class of shares held	Place of incorporation/ registration and operation	Equity interest owned by the Group 2005	Equity interest owned by the Group 2004	Principal activities
PVP Limited	Ordinary	British Virgin Islands	A-share 37.2% B-share 37.2%	A-share 37.2% B-share 37.2%	Investment holding
Princeton Venture Partners Limited	Ordinary	British Virgin Islands	37.2%	37.2%	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.

Information relating to PVP Limited and its subsidiaries ("PVP Group") as required by HKAS 28 "Accounting for investments in associates" is as follows:

PVP Group

	2005 **HK$'000**	2004 HK$'000
Turnover	**1,006**	4,439
(Loss)/profit for the year	**(1,238)**	639
Non-current assets	**111,850**	117,736
Current assets	**25,021**	15,803
Current liabilities	**(625)**	(2,638)
Non-current liabilities	**–**	(7,917)

17. GOODWILL

	Group
	HK$'000
Cost	
1 January 2004	10,892
Additions	12,333
31 December 2004 and 1 January 2005	23,225
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,458)
31 December 2005	**21,767**
Accumulated amortisation	
1 January 2004	695
Amortisation	763
31 December 2004 and 1 January 2005	1,458
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,458)
31 December 2005	–
Net book value	
31 December 2005	**21,767**
31 December 2004	21,767

18. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**51,143**	35,137
Work in progress	**11,443**	12,854
Finished goods	**27,378**	28,455
	89,964	76,446

There is HK$815,000 inventory stated at net realisable value (2004: Nil), included in the above.

19. TRADE AND OTHER RECEIVABLES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Current	**69,241**	58,204
One to three months	**21,241**	19,362
More than three months	**54,939**	21,445
	145,421	99,011

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

Trade and other receivables comprise the following:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollars	**92,819**	63,065
United States dollars	**7,005**	10,565
Chinese Renminbi	**45,597**	25,381
	145,421	99,011

20. LISTED INVESTMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**2,637**	49
Overseas	**16,931**	24,216
	19,568	24,265

21. CASH AND BANK BALANCES

Cash and bank balances represent cash on hand and at banks and include time deposits and guarantee funds of HK$22,285,000 (2004: HK$16,288,000) pledged as security for general banking facilities provided to certain subsidiaries.

Cash and bank balances comprise the following:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollars	**34,868**	37,669
United States dollars	**24,571**	8,311
Chinese Renminbi	**7,444**	9,404
Australian dollars	**1,057**	11
Euros	**50**	51
	67,990	55,446

22. DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest free and there are no fixed terms for repayment.

23. TRADE AND OTHER PAYABLES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Current	**34,474**	39,521
One to three months	**11,666**	21,881
More than three months	**19,293**	13,096
	65,433	74,498

23. TRADE AND OTHER PAYABLES *(Continued)*

Trade and other payables comprise the following:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollars	**23,137**	17,895
Australian dollars	**133**	131
Chinese Renminbi	**42,163**	56,472
	65,433	74,498

24. INTEREST BEARING BANK BORROWINGS

The terms of the interest bearing bank borrowings are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Repayable on demand or within one year		
Bank overdrafts – secured	**7,391**	6,833
Bank import loans – secured	**–**	31,421
Bank loan – secured	**50,146**	1,887
– unsecured	**9,615**	9,891
	67,152	50,032
Repayable in the second year		
Bank import loans – secured	**–**	1,000
Bank loans – secured	**1,289**	–
Repayable in the third to fifth years, inclusive		
Bank import loans – secured	**–**	2,834
Bank loans – secured	**1,835**	–
	3,124	3,834
	70,276	53,866

24. INTEREST BEARING BANK BORROWINGS *(Continued)*

The above secured bank borrowings are secured by:

(a) charges over time deposits and guarantee funds of approximately HK$22,285,000 (2004: HK$16,288,000);

(b) against guarantees issued by certain subsidiaries and a Director of these subsidiaries.

25. OTHER LOAN PAYABLE

The other loan is secured by a fixed charge against the Group's equity holding in a subsidiary, a floating charge against the Group's entire assets and a corporate guarantee issued by the Company. It is interest bearing at 1.25% per month and repayable in 2006.

In prior year, the other loan was secured by a corporate guarantee issued by the Company and interest bearing at 1.5% per month. It was fully repaid in 2005.

26. DEFERRED TAX LIABILITIES

	Group	
	2005	2004
	HK$'000	HK$'000
1 January	**44**	85
Release to profit and loss account – note 9	**(27)**	(41)
31 December	**17**	44

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	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated capital allowances	**17**	44	**(16)**	19
Tax losses	**–**	–	**(36,759)**	(35,253)
	17	44	**(36,775)**	(35,234)

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

27. SHARE CAPITAL

Share

	Number of ordinary shares of HK$0.01	Amount HK$'000
Authorised:		
1 January 2005 and 31 December 2005	15,000,000,000	150,000
Issued and fully paid:		
1 January 2005	91,292,768	913
Issue of new shares	59,146,384	591
31 December 2005	150,439,152	1,504

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

(a) On 28 February 2005, the Company issued 9,000,000 new shares at the placing price of HK$0.96 per share pursuant to the placing agreement entered into between the Company and Tai Fook Securities Company Limited dated 4 February 2005.

(b) On 23 May 2005, the Company issued 50,146,384 new shares at the subscription price of HK$0.38 per share pursuant to the open offer on the basis of one offer share for every two shares held by the then shareholders of the Company on the specified record date.

27. SHARE CAPITAL (Continued)

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 10,814,000 share options outstanding under the share option scheme adopted by the Company on 22 March 2002.

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

	2005		2004	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HK$0.95 *(Note)*	2,720,000	HK$1.14	2,720,000
Adjustment during the year for open offer	HK$0.95	544,000	–	–
Granted during the year	HK$0.80	8,510,000	–	–
Lapsed during the year	HK$0.88	(960,000)	–	–
Outstanding at the end of the year	HK$0.84	10,814,000	HK$1.14	2,720,000
Exercisable at the end of the year	HK$0.84	10,814,000	HK$1.14	2,720,000

The options outstanding at 31 December 2005 had an exercise price of HK$0.95 or HK$0.80 (2004: HK$1.14) and a weighted average remaining contractual life of 3.96 years (2004: 3.53 years).

Note: Adjusted for open offer

27. SHARE CAPITAL *(Continued)*

Valuation of share options

The fair value of the options granted on 14 June 2005 was calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

Weighted average share price at the date of grant	HK$0.77
Exercise price	HK$0.80
Risk free rate	3.22%
Expected life	3 years
Expected volatility	41.53%
Expected dividend yield	–

Expected volatility refers to the historical volatility of share prices of the Company over the 260 trading days of the year immediately before the grant date.

The Group recognised the total expense of HK$1,015,000 for the year ended 31 December 2005 in relation to share options granted by the Company.

The Black-Scholes option pricing model was developed to estimate the fair value of the share options. The value of an option varies with different variables of certain subjective assumptions. Any changes in variables and assumptions so adopted may materially affect the estimation of the fair value of an option.

Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

28. RESERVES

Group

	Share Premium HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Enterprises Development Fund HK$'000	Reserve Fund HK$'000	Employee compensation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
1 January 2004	73,386	83,274	10,272	–	–	–	1,515	168,447
Profit for the year	–	–	–	–	–	–	7,175	7,175
Currency translation differences	–	–	(3)	–	–	–	–	(3)
Issue of new shares	16,833	–	–	–	–	–	–	16,833
31 December 2004 and 1 January 2005	90,219	83,274	10,269	–	–	–	8,690	192,452
Loss for the year	–	–	–	–	–	–	(19,791)	(19,791)
Currency translation differences	–	–	428	–	–	–	–	428
Transfer	–	–	–	15	16	–	(31)	–
Employee share options	–	–	–	–	–	1,015	–	1,015
Movement for the year	–	–	–	(101)	(134)	–	–	(235)
Issue of new shares	27,104	–	–	–	–	–	–	27,104
Share issue expenses	(1,093)	–	–	–	–	–	–	(1,093)
31 December 2005	**116,230**	**83,274**	**10,697**	**(86)**	**(118)**	**1,015**	**(11,132)**	**199,880**

Included in the Group's accumulated losses at 31 December 2005 were accumulated losses of HK$8,251,000 (2004: HK$8,642,000) relating to associates.

28. RESERVES *(Continued)*

Company

	Share Premium account	Contributed surplus	Employee compensation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1 January 2004	73,386	125,376	–	(19,811)	178,951
Loss for the year	–	–	–	(2,320)	(2,320)
Issue of new shares	16,833	–	–	–	16,833
31 December 2004 and 1 January 2005	90,219	125,376	–	(22,131)	193,464
Loss for the year	–	–	–	(1,963)	(1,963)
Movement for the year	–	–	1,015	–	1,015
Issue of new shares	27,104	–	–	–	27,104
Share issue expenses	(1,093)	–	–	–	(1,093)
31 December 2005	**116,230**	**125,376**	**1,015**	**(24,094)**	**218,527**

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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2005	2004
	HK$'000	HK$'000
(Loss)/profit before taxation	**(5,439)**	8,983
Adjustments for:		
Profit on disposal of subsidiaries	**–**	(468)
Interest income	**(1,194)**	(2,575)
Interest expenses	**7,539**	4,249
Write back of provisions	**(339)**	(2,346)
Depreciation on properties, plant and equipment	**6,916**	3,738
Bad and doubtful debts	**3,367**	4,270
Write off of amount due from associates	**1,864**	–
Write off of rental deposit	**239**	–
Revaluation loss on listed investments	**8,206**	–
Amortisation and impairment on goodwill of associates	**9,608**	767
Amortisation on goodwill of subsidiaries	**–**	763
Impairment of investment properties	**1,570**	6,000
Impairment of long term investments	**–**	25
Loss on disposal of properties, plant and equipment	**1,415**	21
Profit on disposal of long term investments	**–**	(5,918)
Gain on long term investments	**–**	(18,997)
Gain on deemed disposal of associates	**–**	(8)
Loss on disposal of listed securities	**14**	–
Employee share option	**1,015**	–
Negative goodwill	**(1,505)**	–
Write back of share of loss of an associate	**(1,545)**	–
Share of results of associates	**391**	(1,862)
Operating profit/(loss) before working capital changes	**32,122**	(3,358)
(Increase)/decrease in inventories	**(12,700)**	5,940
Increase in trade and other receivables	**(48,943)**	(9,319)
Decrease in prepayments and deposits	**3,842**	693
Decrease in trade and other payables	**(9,775)**	(10,372)
Decrease in amounts due to related parties	**(4,159)**	(4,142)
Increase in deposits received	**12,019**	10,446
Net cash used in operations	**(27,594)**	(10,112)

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

(b) Disposal of subsidiaries

	Group	
	2005	2004
	HK$'000	HK$'000
Net assets disposed of:		
Properties, plant and equipment	–	27
Inventories	–	17
Trade and other receivables	–	6,705
Cash and bank balances	–	20
Trade and other payables	–	(7,237)
	–	(468)
Represented by:		
Profit on disposal	–	(468)

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

	2005	2004
	HK$'000	HK$'000
Cash and bank balances of disposed subsidiaries	–	(20)

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

(c) Acquisition of subsidiaries

	Group	
	2005	2004
	HK$'000	HK$'000
Net assets acquired:		
Properties, plant and equipment	–	20,037
Inventories	–	51,758
Trade and other receivables	–	36,819
Prepayments and deposits	–	6,283
Cash and bank balances	–	24,583
Due to related parties	–	(8,272)
Trade and other payables	–	(70,692)
Current tax payable	–	(1,228)
Interest bearing bank borrowings	–	(12,076)
Minority interests	–	(5,218)
	–	41,994
Less: Minority interests	–	(20,321)
	–	21,673
Goodwill on consolidation	–	12,333
	–	34,006
Represented by:		
Cash paid	–	17,003
Shares issued	–	17,003
	–	34,006

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

(c) Acquisition of subsidiaries *(Continued)*

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

	2005	2004
	HK$'000	HK$'000
Cash paid	–	(17,003)
Cash and bank balances of acquired subsidiaries	–	24,583
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	7,580

(d) Major non-cash transactions

(i) On 23 November 2005, the Company fully exercised its option to acquire 10,000,000 shares of Omnitech Holdings Limited ("OHL"), a non-wholly owned subsidiary of the Company, at a total consideration of A$1,000,000 (equivalent to HK$5,670,000), which was satisfied by way of set-off part of the loan from the Company to OHL of HK$5,670,000.

(ii) On 22 December 2005, the Company further acquired 16,033,019 shares of OHL at a total consideration of HK$16,363,000, which was satisfied by the assignment of loan to VFJ Technology Holdings Limited, a non-wholly owned subsidiary of the Company, of HK$16,363,000 from the Company to OHL.

30. CONTINGENT LIABILITIES

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given to banks and others	**86,800**	49,950	**31,100**	15,450

31. COMMITMENTS

	Group 2005 HK$'000	Group 2004 HK$'000
Capital commitments		
– contracted for	–	30,189
– authorised but not contracted for	–	–
	–	30,189
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	**9,866**	8,004
In the second to fifth years, inclusive	**21,599**	12,426
After five years	**29,415**	21,223
	60,880	41,653
As lessor		
Within one year	**1,577**	1,577
In the second to fifth years, inclusive	**3,549**	5,126
	5,126	6,703

The Company has no capital or operating lease commitments.

32. FINANCIAL INSTRUMENTS

a) Financial risk management

The Group is exposed to a variety of risks including foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk arising in the normal course of the Group's business activities.

The Group does not have any written risk management policies and guidelines. The directors monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, Australian dollars and Chinese Renminbi. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates. The Group mitigates this risk by conducting the sales and purchases transactions in the same currency, whenever possible.

ii) Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

At the balance sheet date, there were no major concentrations of credit risk.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the balance sheet.

Cash is held with financial institutions of good standing.

32. FINANCIAL INSTRUMENTS

a) Financial risk management *(Continued)*

iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

iv) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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.

b) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash at bank, trade and other payables) are assumed to approximate their fair values.

The fair value of non-trade balances due from/to group and related companies has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of the relationship.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements:–

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rate	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2006
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 January 2006
HKFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS-Int 4	Determining whether an Arrangement contains a Lease	1 January 2006
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005 *(Continued)*

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2005
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics	1 March 2006

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and will be first applicable to the Group's financial statements for the year beginning 1 January 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these amendments, new standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

34. COMPARATIVE FIGURES

The comparative figures in the Segment Information have been reclassified to conform to the current year's presentation. In the opinion of the Directors, the change in presentation better presents the financial characteristics of the Group.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 13 April 2006.