1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 37.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

(i) Share-based Payment

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Because there were no share options outstanding at 1 January 2005, comparative figures for 2004 need not be restated.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(ii) Business Combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005 and to goodwill brought forward as at that date. The principal effect of the application of HKFRS 3 to the Group is:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group on 1 January 2005, eliminated the carrying amount of the related accumulated amortisation of HK$56,945,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated and the financial impact of which is set out in note 3.

(iii) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured at cost or valuation. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. Since the allocation between the land and buildings elements cannot be made reliably for the Group, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(iv) Financial Instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on the results of the Group for current and prior accounting periods. The principal effects on the Group as a result of implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(iv) Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

On or before 31 December 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 ("SSAP 24"). Under SSAP 24, the Group's investments in equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. From 1 January 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, the Group's financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" and "loans and receivables". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39. Investments in securities classified under non-current assets and certain club memberships (equity investments) with carrying amounts of HK$4,981,000 and HK$1,447,000, respectively, were reclassified to available-for-sale investments. Included in these available-for-sale investments was HK$3,465,000 unlisted equity investments of which fair value cannot be measured reliably and was therefore stated at cost less impairment loss at subsequent balance sheet dates. The remaining HK$2,963,000 available-for-sale investments as at 1 January 2005 represented listed equity securities. An adjustment of HK$1,308,000 has been made to the Group's accumulated profits and the financial impact on the Group is set out in note 3. Investments in securities classified under current assets with carrying amount of HK$2,602,000 was reclassified to held-for-trading investments on 1 January 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, the Group's financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" and "loans and receivables". The Group's financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(iv) Financial Instruments *(continued)*

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1 January 2005 onwards. As a result, the Group's bills receivable discounted with full recourses which were derecognised prior to 1 January 2005 have not been restated. As at 31 December 2005, the Group's bills receivable discounted with full recourse have not been derecognised. Instead, the related borrowings of HK$39,086,000 have been recognised on the balance sheet date as bank loans. The relevant finance costs incurred in order to obtain such borrowings are included in the carrying amount of the borrowings on initial recognition and amortised over the terms of the borrowings using the effective interest method. Previously, the difference between the carrying amount of the bills receivable and proceeds received was expensed immediately when incurred. This change in accounting policy has had no material effect on results for the current year.

(v) Investment Properties

In previous years, the Group's investment properties were measured at open market values under predecessor standard, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. However, since the Group did not have any investment property revaluation reserve at 1 January 2005, the adoption of HKAS 40 did not result in any transfer between the reserve accounts. This change in accounting policy has had no material effect on results for the current year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

(vi) Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation.

In the current year, the Group has applied Hong Kong (SIC) Interpretation ("HK(SIC)-INT") 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-INT 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated and the financial impact of which is set out in note 3.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above are a decrease in amortisation of goodwill (included in administrative expenses) of HK$1,369,000 (2004: Nil), which resulted in an increase in profit for the year by the same amount.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated) HK$'000	Adjustments HK$'000	As at 31 December 2004 (restated) HK$'000	Adjustments HK$'000	As at 1 January 2005 (restated) HK$'000
Impact of HKAS 39					
Available-for-sale investments	–	–	–	5,120	5,120
Investments in securities (non-current assets)	4,981	–	4,981	(4,981)	–
Held-for-trading investments	–	–	–	2,602	2,602
Investments in securities (current assets)	2,602	–	2,602	(2,602)	–
Club memberships	4,459	–	4,459	(1,447)	3,012
Impact of HK(SIC)-INT 21					
Deferred tax liabilities	(3,358)	(2,132)	(5,490)	–	(5,490)
Total effects on assets and liabilities	8,684	(2,132)	6,552	(1,308)	5,244
Accumulated profits	152,866	–	152,866	(1,308)	151,558
Asset revaluation reserve	26,281	(2,132)	24,149	–	24,149
Total effects on equity	179,147	(2,132)	177,015	(1,308)	175,707

The effects of the application of the new HKFRSs to the Group's equity on 1 January 2004 are a decrease of asset revaluation reserve of HK$2,132,000 as a result of adoption of HK(SIC) – INT 21.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 *Effective for annual periods beginning on or after 1 January 2007.*
2 *Effective for annual periods beginning on or after 1 January 2006.*
3 *Effective for annual periods beginning on or after 1 December 2005.*
4 *Effective for annual periods beginning on or after 1 March 2006.*

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties, certain leasehold land and buildings and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions prior to 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, are recognised on a straight line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Commission income is recognised on an accrual basis when the Group's entitlement to payment has been established.

Investment properties

Investment property, which is property held to earn rentals and for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to asset revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives using the straight line method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is dereognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefits scheme are charged as an expense as they fall due.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Club memberships

Club memberships are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of club memberships 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 that club memberships in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method for electronic products and the weighted average cost method for other inventories.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss represent financial assets held-for-trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group's financial liabilities including trade and other payables, bills payable, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet when, and only when, it is extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Impairment losses (other than goodwill and club memberships)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Equity-settled share-based payment transactions

The financial impact of share options granted prior to 1 January 2005 is not recorded in the Group's consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of these share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse, expire or are cancelled prior to their exercise date are deleted from the register of outstanding options.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4. The fair value of the investment properties are determined by the directors of the Company with reference to the property valuation performed by an independent firm of professional property valuers, Savills Valuation and Professional Services Limited ("Savills"). The fair value of investment properties at the balance sheet date is set out in note 15. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Allowance for trade and other receivables

The assessment of the allowance for trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2005, the carrying value trade and other receivables (net of allowance) is HK$478,215,000 (2004: HK$409,554,000).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, pledged bank deposits, bank balances, trade and other payables, bills payable, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 is the carrying amounts of trade and other receivables and bills receivable as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Currency risk

The Group mainly operates in Hong Kong, the People's Republic of China (the "PRC") and Taiwan and exposure in exchange rate risks arises from fluctuations in the United State dollar, Hong Kong dollar and Renminbi exchange rates. The Group does not have an existing foreign exchange policy to minimise the currency risk.

Interest rate risk

The Group's cash flow interest rate risks mainly relates to variable interest rate borrowings. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

7. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

Business segments

For management purposes, the Group's operations are organised into two operating divisions namely distribution of electronic goods and distribution of sports products. These divisions are the basis on which the Group reports its primary segment information.

7. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below.

2005

	Distribution of electronic products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
TURNOVER			
External sales	2,354,442	99,196	2,453,638
RESULT			
Segment result	58,574	7,994	66,568
Interest income	2,998	57	3,055
Unallocated corporate expenses			(8,329)
Unallocated corporate income			13,185
Finance costs			(23,636)
Share of results of associates	(263)	–	(263)
Gain on deemed disposal of interest in an associate	311	–	311
Profit before taxation			50,891
Taxation			(8,126)
Profit for the year			42,765

7. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2005 *(continued)*

	Distribution of electronic products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET			
ASSETS			
Segment assets	1,049,758	50,252	1,100,010
Interests in associates	521	–	521
Unallocated corporate assets			113,997
Total assets			1,214,528
LIABILITIES			
Segment liabilities	242,561	12,185	254,746
Unallocated corporate liabilities			588,635
Total liabilities			843,381

	Distribution of electronic products HK$'000	Distribution of sports products HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital additions	32,485	7,225	25,902	65,612
Depreciation and amortisation of property, plant and equipment	7,310	477	1,005	8,792
Loss on disposal of property, plant and equipment	32	–	–	32
Allowance for trade and other receivables	9,502	420	–	9,922

7. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2004

	Distribution of electronic products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
TURNOVER			
External sales	2,313,346	93,742	2,407,088
RESULT			
Segment result	62,505	8,296	70,801
Interest income	268	–	268
Unallocated corporate expenses			(9,093)
Release of negative goodwill	2,035	–	2,035
Unallocated corporate income			1,201
Finance costs			(12,867)
Share of results of associates	(89)	–	(89)
Profit before taxation			52,256
Taxation			(7,929)
Profit for the year			44,327

7. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2004 – continued

	Distribution of electronic products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET			
ASSETS			
Segment assets	877,350	35,404	912,754
Interests in associates	472	–	472
Unallocated corporate assets			70,416
Total assets			983,642
LIABILITIES			
Segment liabilities	239,533	9,405	248,938
Unallocated corporate liabilities			387,612
Total liabilities			636,550

	Distribution of electronic products HK$'000	Distribution of sports products HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital additions	1,572	2,169	2,668	6,409
Amortisation of goodwill	302	1,369	–	1,671
Depreciation and amortisation of property, plant and equipment	5,028	139	3,395	8,562
Loss on disposal of property, plant and equipment	6	–	–	6
Unrealised holding loss on other investments	–	–	1,176	1,176
Allowance for trade and other receivables	2,922	–	–	2,922

7. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

The Group's operations are located in Hong Kong, the PRC and Taiwan. The Group's distribution of electronic goods is carried out in Hong Kong, the PRC and Taiwan. Distribution of sports products is carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2005	2004
	HK$'000	HK$'000
Hong Kong	773,497	678,507
The PRC	1,422,565	1,359,608
Taiwan	221,135	339,878
Others	36,441	29,095
	2,453,638	2,407,088

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	642,389	554,520	33,552	5,556
The PRC	481,716	311,656	31,995	388
Taiwan	59,022	87,010	–	–
Others	31,401	30,291	65	465
	1,214,528	983,477	65,612	6,409

8. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	18,640	12,698
– bank borrowings not wholly repayable within five years	4,960	123
– obligations under finance leases	36	46
	23,636	12,867

9. DIRECTORS' REMUNERATIONS

The remuneration paid or payable to each of the 10 (2004: 10) directors were as follows:

2005

	Yim Yuk Lun, Stanley HK$'000	Wong Sui Chuen HK$'000	Cheung Yuk Kuen HK$'000	Dr. Chang Chu Cheng HK$'000	Dr. Lui Ming Wah, J.P HK$'000	Chang Ping Kin HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Lau Ping Cheung HK$'000	Total HK$'000
Fees	-	78	-	-	50	95	50	-	200	100	573
Other emoluments											
Salaries and other benefits	3,877	362	332	-	-	-	-	-	-	-	4,571
Retirement benefits scheme contributions	118	-	11	-	-	-	-	-	-	-	129
Performance related incentive payments (note)	1,755	-	310	-	-	-	-	-	-	-	2,065
Total emoluments	5,750	440	653	-	50	95	50	-	200	100	7,338

9. DIRECTORS' REMUNERATIONS *(continued)*

2004

	Yim Yuk Lun, Stanley HK$'000	Wong Sui Chuen HK$'000	Cheung Yuk Kuen HK$'000	Dr. Chang Chu Cheng HK$'000	Dr. Lui Ming Wah, J.P HK$'000	Chang Ping Kin HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Lau Ping Cheung HK$'000	Total HK$'000
Fees	–	74	–	–	50	–	50	–	–	–	174
Other emoluments											
Salaries and other benefits	3,589	390	189	–	–	60	–	–	–	185	4,413
Retirement benefits scheme contributions	111	–	10	–	–	–	–	–	–	4	125
Performance related incentive payments (note)	1,176	–	340	–	–	–	–	–	–	100	1,616
Total emoluments	4,876	464	539	–	50	60	50	–	–	289	6,328

Note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

During the years ended 31 December 2005 and 2004, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2005 and 2004, no directors waived any emoluments.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, one (2004: one) was a director of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining four (2004: four) individuals are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	2,952	2,778
Performance related incentive payments	1,549	750
Retirement benefits scheme contributions	112	112
	4,613	3,640

11. TAXATION

	2005 HK$'000	2004 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	6,718	8,059
Under(over)provision in prior years	120	(327)
	6,838	7,732
Deferred taxation (note 30)	1,288	197
	8,126	7,929

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Under Decree-Law no. 58/99/M, Macau companies incorporated under the law ("58/99/M Companies") are exempted from Macau complementary tax (Macau income tax) as long as the 58/99/M companies do not sell its products to any Macau resident companies.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK$'000	2004 HK$'000
Profit before taxation	50,891	52,256
Tax at Hong Kong Profits Tax rate of 17.5%	8,906	9,145
Tax effect of expenses not deductible for tax purpose	1,383	851
Tax effect of income not taxable for tax purpose	(143)	(742)
Under(over)provision in prior years	120	(327)
Tax effect of tax losses/other deferred tax assets not recognised	2,127	941
Utilisation of tax losses/other deferred tax assets previously not recognised	(1,945)	(871)
Effect of tax exemption granted to Macau subsidiaries	(2,322)	(1,068)
Tax charge for the year	8,126	7,929

12. PROFIT FOR THE YEAR

	2005 HK$'000	2004 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remunerations		
– salaries and other benefits	39,842	35,534
– performance related incentive payments	2,065	1,616
– retirement benefits scheme contributions, net of forfeited contributions of HK$197,000 (2004: HK$106,000)	1,181	1,245
	43,088	38,395
Amortisation of goodwill (included in administrative expenses)	–	1,671
Auditors' remuneration	1,166	836
Depreciation and amortisation of property, plant and equipment	8,792	8,562
Allowance for trade and other receivables	9,922	2,922
Loss on disposal of property, plant and equipment	32	6
Net foreign exchange losses	1,574	294
Unrealised holding loss on other investments	–	1,176
and after crediting:		
Gain on disposal of held-for-trading investments	9,507	–
Gain on disposal of available-for-sale investments	300	–
Rental income from properties, net of outgoings of HK$25,000 (2004: HK$28,000)	2,886	968
Release of negative goodwill to other income	–	2,035

13. DIVIDENDS PAID

	2005 HK$'000	2004 HK$'000
2005 interim dividend of HK2.0 cents (2004: HK1.8 cents) per share	4,851	4,366
2004 final dividend of HK4.0 cents (2003: HK2.0 cents) per share	9,701	4,611
	14,552	8,977

A final dividend of HK5.0 cents (2004: HK4.0 cents) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2005 HK$'000	2004 HK$'000
Earnings for the purposes of basic and diluted earnings per share – profit attributable to equity holders of the Company	40,110	35,108
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	242,540,720	234,503,562
Effect of dilutive potential ordinary shares in respect of share options		8,034
Weighted average number of ordinary shares for the purposes of diluted earnings per share		234,511,596

No diluted earnings per share has been presented for the year ended 31 December 2005 as the Company had no potential ordinary shares outstanding during the year.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2004 and 1 January 2005	58,000
Additions	20,679
At 31 December 2005	**78,679**

The fair value of the Group's investment properties at 31 December 2005 have been arrived at on the basis of a valuation carried out on that date by Savills. Savills are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

The investment properties are held under medium term leases in Hong Kong and rented out under operating leases.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2004	86,816	17,808	10,867	11,054	12,397	138,942
Additions	2,175	756	1,091	2,016	371	6,409
Disposals	–	–	(15)	(4)	–	(19)
At 31 December 2004	88,991	18,564	11,943	13,066	12,768	145,332
Additions	35,507	1,334	2,325	2,087	3,680	44,933
Disposals	–	–	(13)	(27)	(454)	(494)
At 31 December 2005	124,498	19,898	14,255	15,126	15,994	189,771
Comprising:						
At cost	79,148	19,898	14,255	15,126	15,994	144,421
At valuation – 1994	45,350	–	–	–	–	45,350
	124,498	19,898	14,255	15,126	15,994	189,771
DEPRECIATION AND AMORTISATION						
At 1 January 2004	19,372	9,976	8,980	8,206	9,812	56,346
Provided for the year	2,575	2,843	830	1,435	879	8,562
Eliminated on disposals	–	–	(6)	(1)	–	(7)
At 31 December 2004	21,947	12,819	9,804	9,640	10,691	64,901
Provided for the year	2,663	2,834	995	1,392	908	8,792
Eliminated on disposals	–	–	(12)	(22)	(410)	(444)
At 31 December 2005	24,610	15,653	10,787	11,010	11,189	73,249
CARRYING VALUES						
At 31 December 2005	99,888	4,245	3,468	4,116	4,805	116,522
At 31 December 2004	67,044	5,745	2,139	3,426	2,077	80,431

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the relevant lease or 25 years
Leasehold improvements	Over the term of the relevant lease
Others	5 years

The carrying values of leasehold land and buildings held by the Group at the balance sheet date comprise:

	2005 HK$'000	2004 HK$'000
Land and buildings held in Hong Kong under medium term leases	62,219	57,917
Land and buildings held in Hong Kong under long term leases	672	700
Buildings held in the PRC under long term leases	36,997	8,427
	99,888	67,044

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at HK$87,607,000 (2004: HK$55,456,000).

At 31 December 2005, the carrying value of motor vehicles and vessel included an amount of HK$415,000 (2004: HK$630,000) in respect of assets held under finance leases.

17. GOODWILL

	HK$'000
COST	
At 1 January 2004 and 1 January 2005	58,314
Elimination of accumulated amortisation upon the application of HKFRS 3	(56,945)
At 31 December 2005	1,369
AMORTISATION	
At 1 January 2004	55,274
Amortisation for the year	1,671
At 1 January 2005	56,945
Elimination of accumulated amortisation upon the application of HKFRS 3	(56,945)
At 31 December 2005	–
CARRYING VALUES	
At 31 December 2005	1,369
At 31 December 2004	1,369

Until 31 December 2004, goodwill had been amortised over its estimated useful life, ranging from 2 to 10 years.

The carrying values of goodwill had been allocated to one individual cash generating unit namely distribution of sports products ("CGU"), including two subsidiaries engaged in the distribution of sports products.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using a steady 5% growth rate, and discount rate of 5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

For the year ended 31 December 2005, management of the Group determines that there is no impairment of the CGU containing goodwill.

18. INTERESTS IN ASSOCIATES

	2005 HK$'000	2004 HK$'000
Cost of unlisted investments in associates	943	942
Share of post-acquisition losses	(422)	(470)
	521	472

Particulars of the Group's associates at 31 December 2005 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products
Now Electron Inc.	Incorporated	Republic of Korea	Ordinary	29	Trading of electronic products
Ocean Bright Technology Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products
Vantage Technology Limited	Incorporated	Hong Kong	Ordinary	24	Manufacturing of paper products

18. INTERESTS IN ASSOCIATES *(continued)*

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

	2005 HK$'000	2004 HK$'000
Total assets	40,800	34,692
Total liabilities	(39,127)	(33,593)
Net assets	1,673	1,099
Group's share of net assets of associates	521	472
Revenue	34,010	28,652
Loss for the year	(1,077)	(174)
Group's share of results of associates for the year	(263)	(89)

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2005 comprise:

	2005 HK$'000
AT FAIR VALUE	
Investments in overseas listed equity securities	208
Investments in unlisted equity securities in Hong Kong	4,462
AT COST	
Investments in unlisted equity securities in Republic of Korea (the "Korea")	15,600
	20,270

At 31 December 2005, all available-for-sale investments are stated at fair value, except for those unlisted equity securities in the Korea of which their fair values cannot be measured reliably. Fair values of those investments have been determined by reference to bid prices quoted in active markets.

The above unlisted securities in the Korea represent investments in unlisted equity securities issued by a private entity which are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. INVESTMENTS IN SECURITIES

Investments in securities as at 31 December 2004 are set out below. Upon the application of HKAS 39 on 1 January 2005, investments in securities were reclassified to appropriate categories under HKAS 39.

	2004		
	Investment securities HK$'000	Other investments HK$'000	Total HK$'000
Equity securities:			
Listed in Hong Kong	–	2,602	2,602
Listed overseas	1,516	–	1,516
Unlisted in Hong Kong	600	2,865	3,465
	2,116	5,467	7,583
Market value of listed securities	291	2,602	2,893
Carrying amount analysed for reporting purposes as:			
Current	–	2,602	2,602
Non-current	2,116	2,865	4,981
	2,116	5,467	7,583

21. CLUB MEMBERSHIPS

	2005 HK$'000	2004 HK$'000
Club memberships, at cost		
Hong Kong	–	1,447
Outside Hong Kong	3,012	3,012
	3,012	4,459

The directors are of the opinion that the club memberships are at least their carrying amounts by reference to bid prices quoted in active market.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits represent amount pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$23,396,000 (2004: Nil) are with maturities more than one year from the balance sheet date and are therefore classified as non-current assets.

The pledged bank deposits and bank balances carry fixed interest rate of 3.5% (2004: 1.5%) and variable interest rate of average 0.9% (2004: 0.3%) per annum, respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair values of the pledged bank deposits and bank balances at 31 December 2005 approximate their corresponding carrying amounts.

23. INVENTORIES

	2005 HK$'000	2004 HK$'000
Finished goods	278,617	255,161

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2005 HK$'000	2004 HK$'000
Trade receivables	447,829	380,892
Other receivables	30,386	28,662
Total trade and other receivables	478,215	409,554
Bills receivable	47,720	42,926

The Group allows a credit period ranged from 30 days to 120 days to its trade customers.

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(continued)*

An aged analysis of trade and bills receivables by due date is as follows:

	2005 HK$'000	2004 HK$'000
Current	325,380	268,433
Within 30 days	100,964	65,427
More than 30 days and within 60 days	31,047	27,155
More than 60 days and within 90 days	10,076	11,190
More than 90 days	28,082	51,613
	495,549	423,818

The fair values of the Group's trade and other receivables and bills receivable at 31 December 2005 approximates their corresponding carrying amounts.

25. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	2005 HK$'000	2004 HK$'000
Trade payables	133,997	160,259
Other payables	24,766	23,425
Trade and other payables	158,763	183,684
Bills payable	97,841	66,541

An aged analysis of trade and bills payables by due date is as follows:

	2005 HK$'000	2004 HK$'000
Current	193,045	169,381
Within 30 days	28,420	37,164
More than 30 days and within 60 days	6,567	16,521
More than 60 days and within 90 days	3,272	1,830
More than 90 days	534	1,904
	231,838	226,800

The fair values of the Group's trade and other payables and bills payable at 31 December 2005 approximates their corresponding carrying amounts.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable under finance leases:				
Within one year	181	277	166	219
More than one year, but not exceeding two years	148	181	134	166
More than two years, but not exceeding three years	57	148	50	134
More than three years, but not exceeding four years	6	57	6	50
More than four years, but not exceeding five years	–	6	–	6
	392	669		
Less: Future finance charges	(36)	(94)		
Present value of finance leases	356	575	356	575
Less: Amount due for settlement within one year shown under current liabilities			(166)	(219)
Amount due for settlement after one year			190	356

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is four years. The average effective borrowing rate is 3% (2004: 3%). The leases are paid on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are denominated in Hong Kong dollars and are secured by the lessor's charge over the leased assets.

The fair value of the Group's finance leases obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximates their carrying amounts.

27. BANK AND OTHER BORROWINGS

	2005 HK$'000	2004 HK$'000
Bank and other borrowings comprise:		
Bank loans	269,059	139,486
Bank import loans	307,817	230,453
Bank overdrafts	4	219
Other loan	–	3,000
	576,880	373,158
Analysed as:		
Secured	539,729	354,818
Unsecured	37,151	18,340
	576,880	373,158
The bank and other borrowings are repayable as follows:		
Within one year or on demand	426,694	329,549
More than one year, but not exceeding two years	13,725	10,905
More than two years, but not exceeding five years	124,251	30,748
More than five years	12,210	1,956
	576,880	373,158
Less: Amount due within one year shown under current liabilities	(426,694)	(329,549)
Amount due after one year	150,186	43,609

At 31 December 2005, all of the bank and other borrowings are variable-rate borrowings which carry interest ranging from London Inter Bank Offering Rate ("LIBOR") plus 1% to 2.25% or Hong Kong Inter Bank Offering Rate ("HIBOR") plus 1% to 2.25% (2004: LIBOR plus 1.5% to 2.5% or HIBOR plus 1% to 2.5%).

27. BANK AND OTHER BORROWINGS *(continued)*

The Group's borrowings denominated in the currencies other than the functional currency of the respective entity are set out below:

	2005 HK$'000	2004 HK$'000
United State dollars	488,240	214,007

28. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2004	230,140,720	23,014
Exercise of share options	400,000	40
Exercise of convertible notes (note)	12,000,000	1,200
At 31 December 2004 and 31 December 2005	242,540,720	24,254

	Number of non-redeemable convertible preference shares	Amount HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	46,000,000	4,600
Issued and fully paid:		
At 1 January 2004, 31 December 2004 and 31 December 2005	–	–

28. SHARE CAPITAL *(continued)*

Note: On 18 May 2004, the Group entered into a conditional sale and purchase agreement with certain directors of RSL Electronic Company Limited (formerly known as RDL Electronic Company Limited) ("RSL Electronic") and Mega Partner Electronic (Macao Commercial Offshore) Limited (formerly known as RDL Electronic (Macao Commercial Offshore) Limited) ("Mega Partner"), subsidiaries of the Company to purchase the remaining 30% issued share capital of each of RSL Electronic and Mega Partner at a total consideration of HK$12,000,000, which was settled by the issue of 1% non-redeemable convertible notes with principal amounts of HK$12,000,000 (the "Convertible Notes").

The acquisition was completed on 1 September 2004. On the same date, the Convertible Notes were fully converted into ordinary shares of HK$0.10 each of the Company at conversion price of HK$1.00 each. The new issued shares rank pari passu with the existing shares in all respects.

29. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the members of the Group are as follows:

(a) Pursuant to a resolution passed on 17 September 1994, the Company adopted a share option scheme (the "Initial Share Option Scheme") for recognition of past services contributed by the eligible directors and employees, and expired on 16 September 2004. Under the Initial Share Option Scheme, the Board of Directors of the Company may at their discretion grant options to directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

The Company has, in accordance with Chapter 17 of the Listing Rules, terminated the Initial Share Option Scheme and adopted a new share option scheme, as approved by the shareholders of the Company at a special general meeting held on 28 June 2002 (the "New Share Option Scheme") for recognition of past services contributed by, and giving incentives to the eligible directors and employees.

Upon termination of the Initial Share Option Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Initial Share Option Scheme shall remain in force. All the options granted under the Initial Share Option Scheme were either exercised or expired during the year ended 31 December 2004.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The following table discloses details of the Company's options under the Initial Share Option Scheme held by employees (including directors) and movements in such holdings during the year ended 31 December 2004:

Date of grant	Exercise price per share HK$	Vesting period	Exercisable period	Outstanding at 1.1.2004	Exercised during the year	Expired during the year	Outstanding at 31.12.2004
29.9.1997	3.80	–	29.9.1997 – 16.9.2004	1,000,000	–	(1,000,000)	–
4.5.2000	0.59	4.5.2000 – 3.5.2002	4.5.2002 – 3.5.2004	200,000	(200,000)	–	–
17.6.2000	0.57	17.6.2000 – 16.6.2002	17.6.2002 – 16.6.2004	200,000	(200,000)	–	–
				1,400,000	(400,000)	(1,000,000)	–

Details of the share options held by the directors included in the above table are as follows:

Date of grant	Exercise price per share HK$	Vesting period	Exercisable period	Outstanding at 1.1.2004	Exercised during the year	Expired during the year	Outstanding at 31.12.2004
29.9.1997	3.80	–	29.9.1997 – 16.9.2004	1,000,000	–	(1,000,000)	–
17.6.2000	0.57	17.6.2000 – 16.6.2002	17.6.2002 – 16.6.2004	100,000	(100,000)	–	–
				1,100,000	(100,000)	(1,000,000)	–

For the year ended 31 December 2004, total consideration received from the above person taking up the options granted amounted to HK$232,000.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(b) According to the New Share Option Scheme, the Board of Directors of the Company may at their discretion grant options to any director, executive and employee of each member of the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 28 days from the date of grant. The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. There is no minimum period that a Grantee must hold an option before it can be exercised. The Board may also provides restrictions on the exercise of a share option during the period a share option may be exercised. The exercise price is determined by the Board of Directors of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue as at the date of adoption of the New Share Option Scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to each individual under the New Share Option Scheme and any other share option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

No options have been granted under the New Share Option Scheme since its adoption.

30. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior accounting periods:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1 January 2004 as originally stated	459	2,990	(27)	(426)	2,996
Effect of changes in accounting policies	–	2,132	–	–	2,132
At 1 January 2004 as restated	459	5,122	(27)	(426)	5,128
Charge (credit) for the year	44	–	(11)	164	197
At 31 December 2004	503	5,122	(38)	(262)	5,325
Charge (credit) for the year	1,244	–	(47)	91	1,288
At 31 December 2005	1,747	5,122	(85)	(171)	6,613

For the purpose of consolidated balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005 HK$'000	2004 HK$'000
Deferred tax liabilities	6,613	5,490
Deferred tax assets	–	(165)
	6,613	5,325

At 31 December 2005, the Group had unused tax losses of HK$83,864,000 (2004: HK$92,012,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$487,000 (2004: HK$217,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$83,377,000 (2004: HK$91,795,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At 31 December 2005, the Group had deductible temporary differences of HK$18,649,000 (2004: HK$9,712,000). A deferred tax asset has been recognised in respect of HK$977,000 (2004: HK$1,497,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$17,672,000 (2004: HK$8,215,000) due to it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits cost of the ORSO Scheme and MPF Scheme charged to consolidated income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At 31 December 2005, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in the future years, was HK$67,000 (2004: HK$85,000).

Under the MPF Scheme, no forfeited contributions are available to reduce the contributions payable in the future years.

32. CONTINGENT LIABILITIES

At 31 December 2004, the Group had contingent liabilities in respect of bills discounted with recourse amounted to HK$21,642,000.

33. PLEDGE OF ASSETS

At 31 December 2005, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(a) investment properties and leasehold land and buildings with net book values of HK$78,679,000 (2004: HK$58,000,000) and HK$89,553,000 (2004: HK$62,036,000), respectively;

(b) bank deposits of HK$86,647,000 (2004: HK$78,128,000);

(c) trade receivables of HK$156,026,000 (2004: HK$73,122,000);

(d) available-for-sale investments of HK$2,865,000 (2004: other investments of HK$2,865,000); and

(e) inventories of HK$70,075,000 (2004: Nil).

At 31 December 2004, the Group had pledged all assets of certain subsidiaries with aggregate value of HK$176,905,000 to banks to secure general banking facilities granted by these banks to the Group, which was released during the year.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2005 HK$'000	2004 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises:		
Related parties	698	790
Outsiders	1,265	1,153
	1,963	1,943

34. OPERATING LEASE ARRANGEMENTS *(continued)*

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2005 HK$'000	2004 HK$'000
Within one year	1,011	333
In the second to fifth year inclusive	465	–
	1,476	333

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for an average term of one year with fixed rental.

The Group as lessor

Property rental income earned during the year was HK$2,911,000 (2004: HK$996,000). The properties held have committed tenants for the next two (2004: two) years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005 HK$'000	2004 HK$'000
Within one year	2,859	2,280
In the second to fifth year inclusive	493	2,033
	3,352	4,313

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(i) Connected parties

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions during the year and balances at the balance sheet date with related parties in which certain directors of the Company have beneficial interests, are as follows:

(a) Transactions

Name of party	Interested director	Nature of transactions	2005 HK$'000	2004 HK$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") (note) and its subsidiaries	–	Purchases of electronic products	92,499	76,783
		Sales of electronic products	178,891	178,514
		Commission received by the Group	126	625
United Dynamic Limited	Yim Yuk Lun, Stanley	Rental expenses paid by the Group	440	496

(b) Balances

Name of party	Nature of transactions	2005 HK$'000	2004 HK$'000
Hon Hai (note) and its subsidiaries	Balance at 31 December		
	– trade receivables	54,128	38,221
	– trade payables	29,250	25,471

Note: Hon Hai is a substantial shareholder of the Company.

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(ii) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the balance sheet date, are as follows:

(a) Transactions

Name of party	Nature of transactions	2005 HK$'000	2004 HK$'000
Varitronix International Limited (note) and its subsidiaries	Purchases of electronic products	716	961
	Sales of electronic products	33,330	72,906
	Rental expenses paid by the Group	258	294
Associates:			
Bestime Technology Development Limited	Sales of electronic products	938	12,299
	Purchases of electronic products	12,889	70
Ocean Bright Technology Limited	Sales of electronic products	-	13,154
	Purchases of electronic products	11,907	708
	Services fee paid by the Group	-	438
Now Electron Inc.	Sales of electronic products	6,240	3,493

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(ii) Related parties, other than connected parties *(continued)*

(b) Balances

Name of party	Nature of transactions	2005 HK$'000	2004 HK$'000
Varitronix International Limited (note) and its subsidiaries	Balance at 31 December		
	– trade receivables	1,683	1,098
	– trade payables	331	–
Associates:			
Bestime Technology Development Limited	Balance at 31 December		
	– trade receivables	854	14,747
Ocean Bright Technology Limited	Balance at 31 December		
	– trade receivables	771	15,799
	– trade payables	688	–
Now Electron Inc.	Balance at 31 December		
	– trade receivables	1,298	755
Vantage Technology Limited	Balance at 31 December		
	– other receivables	5,999	–

Note: Dr. Chang Chu Cheng, a director of the Company, has beneficial interest in the company.

36. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company at 31 December 2005 is as follows:

	2005 HK$'000	2004 HK$'000
Non-current assets		
Investments in subsidiaries	33,645	33,645
Current assets		
Other receivables	226	218
Amounts due from subsidiaries	278,805	244,364
Bank balances	74	17
	279,105	244,599
Current liabilities		
Other payables	236	324
Amounts due to subsidiaries	82,819	33,140
Bank overdraft	–	143
	83,055	33,607
Net current assets	196,050	210,992
	229,695	244,637
Capital and reserves		
Share capital	24,254	24,254
Reserves (note)	205,441	220,383
	229,695	244,637

36. BALANCE SHEET OF THE COMPANY *(continued)*

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	–	1,109	218,364	(663)	218,810
Issue of shares on exercise of share options	192	–	–	–	192
Issue of shares on exercise of convertible notes	10,800	–	–	–	10,800
Loss for the year	–	–	–	(442)	(442)
Dividend paid	–	–	(8,977)	–	(8,977)
At 31 December 2004	10,992	1,109	209,387	(1,105)	220,383
Loss for the year	–	–	–	(390)	(390)
Dividend paid	–	–	(14,552)	–	(14,552)
At 31 December 2005	10,992	1,109	194,835	(1,495)	205,441

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company %	Principal activities
Dragon Trading Limited	British Virgin Islands	Ordinary US$40,000	100	Investment holding
Golf Specialists Pacific Limited	Hong Kong	Ordinary HK$4	100	Distribution of golf products
Golf Specialists Pacific (China) Limited	Hong Kong	Ordinary HK$100	100	Distribution of golf products
		Non-voting deferred* HK$1,000,000	100	
Grant Square Investment Limited	Hong Kong	Ordinary HK$10,000	100	Holding a motor vehicle

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company	Principal activities
			%	
Green Classic Investment Limited	Hong Kong	Ordinary HK$2	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	85	Distribution of electronic products
Manfield Venture Corporation	British Virgin Islands	Ordinary US$1	100	Investment holding
Mega Partner Electronic (Macao Commercial Offshore) Limited (formerly known as RDL Electronic (Macao Commercial Offshore) Limited)	Macau	Ordinary MOP100,000	100	Inactive *(note i)*
RSL Electronic Company Limited (formerly known as RDL Electronic Company Limited)	Hong Kong	Ordinary HK$5,000,000	100	Distribution of electronic products
RSL Microelectronics Company Limited (formerly known as RDL Microelectronics Company Limited and Dragon State Limited)	Hong Kong	Ordinary HK$500,000	100	Distribution of electronic products
S.A.S. (China) Development Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Distribution of electronic products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company %	Principal activities
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	100	
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	70	Distribution of electronic products
Smart-tech Electronic (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	100	Inactive *(note ii)*
Sportline Limited	Hong Kong	Ordinary HK$200,000	100	Distribution of sports products
時毅電子(深圳)有限公司**	The PRC	HK$1,000,000	100	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign-owned wholesaling enterprise

Notes:

(i) The company has ceased its operations since November 2005.

(ii) The company has ceased its operations since December 2005.

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.