

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2006*

**1. Basis of Preparation and Principal Accounting Policies**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006 (the "Current Period") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except as described below.

## 1. Basis of Preparation and Principal Accounting Policies (continued)

In the Current Period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods commencing on or after 1 December 2005 or 1 January 2006, as follows:

		<b>Effective for accounting period beginning on or after</b>
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-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
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2005

The adoption of the above new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

## 2. Turnover, Revenue and Segmented Information

An analysis of the Group's turnover/revenue and results for the Current Period by business segments and geographical area is as follows:

	Turnover/Revenue		Contribution to operating profit/(loss)	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (restated)	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (restated)
<b>By activity</b>				
<i>Continuing operations</i>				
Electronic components and products	<b>98,692</b>	69,280	<b>3,929</b>	2,999
Smart card technology	<b>1,210</b>	1,069	<b>(2,200)</b>	(2,588)
Property investments	<b>789</b>	789	<b>551</b>	565
Building materials and sundry products	<b>1,405</b>	1,653	<b>(157)</b>	(16)
	<b>102,096</b>	72,791	<b>2,123</b>	960
<i>Discontinued operations</i>				
Home furniture	<b>139,062</b>	97,858	<b>15,598</b>	13,464
Interest and other income				
– Continuing operations			<b>812</b>	1,059
– Discontinued operations			<b>733</b>	433
Unallocated corporate expenses				
– Continuing operations			<b>(9,724)</b>	(26,042)
– Discontinued operations			<b>–</b>	–
Share of results of associates				
– Continuing operations			<b>2</b>	51
– Discontinued operations			<b>–</b>	–
Finance costs				
– Continuing operations			<b>(5,391)</b>	(2,054)
– Discontinued operations			<b>(481)</b>	(807)
Taxation				
– Continuing operations			<b>(11)</b>	(12)
– Discontinued operations			<b>(36)</b>	(288)
			<b>3,625</b>	(13,236)

**2. Turnover, Revenue and Segmented Information (continued)**

**For the six months ended 30 June**

**Contribution to  
operating  
profit/(loss)**

	<b>Turnover/Revenue</b>		<b>Contribution to operating profit/(loss)</b>	
	<b>2006 (unaudited) HK\$'000</b>	2005 (unaudited) HK\$'000 (restated)	<b>2006 (unaudited) HK\$'000</b>	2005 (unaudited) HK\$'000 (restated)
<b>By geographical area</b>				
<i>Continuing operations</i>				
– Asia	<b>101,205</b>	72,165	<b>2,087</b>	933
– North America	<b>853</b>	626	<b>2</b>	27
– Europe	<b>38</b>	–	<b>34</b>	–
	<b>102,096</b>	72,791	<b>2,123</b>	960
<i>Discontinued operations</i>				
– Asia	<b>139,062</b>	90,255	<b>15,598</b>	12,418
– North America	–	4,459	–	613
– Europe	–	3,144	–	433
	<b>139,062</b>	97,858	<b>15,598</b>	13,464

**3. Loss from Operating Activities**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
<b>After crediting:</b>		
Gross rental income	<b>789</b>	789
Less: outgoing	<b>(238)</b>	(224)
Net rental income	<b>551</b>	565
Interest income	<b>568</b>	472
Gain on disposal of listed investments	<b>108</b>	-
<b>and after charging:</b>		
Impairment loss on interest in an associate	-	10,304
Movements in market values of listed investments	<b>2,946</b>	9,864
Depreciation of property, plant and equipment	<b>2,459</b>	308

**4. Finance Costs**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	<b>2,866</b>	1,379
Other loans	<b>2,525</b>	675
	<b>5,391</b>	2,054

**5. Taxation**

No provision for Hong Kong profits tax has been made as no assessable profit for the period has been derived (2005: Nil). 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.

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
Current period provision:		
Outside Hong Kong	<b>11</b>	12
Taxation	<b>11</b>	12

**6. Discontinued Operations**

On 26 May 2006, the Company announced the decision of its board of Directors to dispose of Windsor Treasure Group Holdings Limited ("WTG"). WTG engages in home furniture business and is a separate business segment. The disposal of WTG was completed in July 2006. As at 30 June 2006, WTG was classified as a disposal group held for sale.

The results of WTG for the period are presented below:

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>139,062</b>	97,858
Other income	<b>733</b>	433
Expenses	<b>(123,464)</b>	(84,394)
Finance costs	<b>(481)</b>	(807)
Profit before tax from the discontinued operations	<b>15,850</b>	13,090
Taxation	<b>(36)</b>	(288)
Profit for the period from the discontinued operations	<b>15,814</b>	12,802

**6. Discontinued Operations (continued)**

The major classes of assets and liabilities of WTG classified as held for sale as at 30 June 2006 are as follows:

	<b>30 June 2006 (unaudited) HK\$'000</b>
<b>ASSETS</b>	
Property, plant and equipment	<b>14,072</b>
Inventories	<b>33,892</b>
Trade and other receivables	<b>85,987</b>
Prepayments and deposits	<b>927</b>
Current tax recoverable	<b>2,278</b>
Cash and cash equivalents	<b>28,712</b>
<hr/>	
Non-current assets classified as held for sale	<b>165,868</b>
<hr/>	
<b>LIABILITIES</b>	
Trade and other payables	<b>(32,798)</b>
Deposits received	<b>(658)</b>
Current tax payable	<b>(162)</b>
Interest bearing bank borrowings	<b>(9,615)</b>
<hr/>	
Liabilities directly associated with the non-current assets classified as held for sale	<b>(43,233)</b>

Pursuant to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Company is not required to reclassify or re-present prior year amounts in the balance sheet relating to the discontinued operations. Accordingly, the assets and liabilities of WTG as at 30 June 2005 included in the condensed consolidated balance sheet were not presented as discontinued operations.

**6. Discontinued Operations (continued)**

The net cash flows incurred by WTG are as follows:

	<b>Six months ended 30 June</b>	
	<b>2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	2005 (unaudited) HK\$'000
Net cash (used in)/generated from operating activities	<b>(5,963)</b>	4,764
Net cash generated from/(used in) investing activities	<b>32</b>	(1,565)
<b>Total net cash (outflow)/inflow from the discontinued operations</b>	<b>(5,931)</b>	3,199

**7. Loss Per Share**

The calculations of basic loss per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	2005 (unaudited) HK\$'000 (restated)
Net (loss)/profit attributable to ordinary equity holders of the parent		
– Continuing operations	<b>(11,814)</b>	(24,974)
– Discontinued operations	<b>8,463</b>	6,397
	<b>(3,351)</b>	(18,577)
Weighted average number of ordinary shares in issue during the period	<b>150,439,152</b>	130,782,023

No diluted loss per share is presented for the six months ended 30 June 2006 and 2005 as the exercise of share options outstanding would be anti-dilutive.



**8. Long Term Investments**

	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000
Unlisted equity investments, at cost	<b>27,700</b>	23,700

**9. Interests in Associates**

Information relating to the Group's associates, mainly PVP Limited and its subsidiaries, as required by HKAS 28 "Accounting for investments in associates" is as follows:

	<b>Six months ended 30 June</b>	
	<b>2006 (unaudited) HK\$'000</b>	2005 (unaudited) HK\$'000
Turnover	<b>451</b>	2,214
Profit/(loss) for the period	<b>6</b>	(10)

	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000
Non-current assets	<b>111,850</b>	111,850
Current assets	<b>24,809</b>	25,021
Current liabilities	<b>(79)</b>	(625)
Non-current liabilities	<b>-</b>	-

**10. Trade and Other Receivables**

	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000
Current	<b>52,684</b>	69,241
One to three months	<b>11,766</b>	21,241
More than three months	<b>2,710</b>	54,939
	<b>67,160</b>	145,421

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

**11. Listed Investments**

	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000
Listed equity investments, at market value:		
Hong Kong	<b>1,029</b>	2,637
Overseas	<b>11,947</b>	16,931
	<b>12,976</b>	19,568

**12. Trade and Other Payables**

	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000
Current	<b>19,733</b>	34,474
One to three months	<b>12,363</b>	11,666
More than three months	<b>7,600</b>	19,293
	<b>39,696</b>	65,433

**13. Interest Bearing Bank Borrowings**

	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000
Repayable on demand or within one year:		
Bank overdrafts – secured	<b>8,242</b>	7,391
Bank loan – secured	<b>52,728</b>	50,146
Bank loan – unsecured	<b>-</b>	9,615
	<b>60,970</b>	67,152
Repayable in the second year		
Bank loans – secured	<b>1,000</b>	1,289
Repayable in the third to fifth years, inclusive		
Bank loans – secured	<b>1,334</b>	1,835
	<b>2,334</b>	3,124
	<b>63,304</b>	70,276

The above secured bank borrowings are secured by:

- (a) charges over time deposits and guaranteed funds of approximately HK\$22,374,000 (31 December 2005: HK\$22,285,000)
- (b) against guarantees issued by certain subsidiaries and a Director of these subsidiaries.

**14. Share Capital**  
**Ordinary shares**

**Number of  
ordinary shares  
of HK\$0.01 each**

**Amount**  
*HK\$'000*

**Authorised:**

1 January 2006 and

**30 June 2006**

15,000,000,000

150,000

**Issued and fully paid:**

1 January 2006 and

**30 June 2006**

150,439,152

1,504

**15. Reserves**

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Enterprises development fund <i>HK\$'000</i>	Reserve fund <i>HK\$'000</i>	Employee compensation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2005 (audited) and 1 January 2006</b>	116,230	83,274	10,697	(86)	(118)	1,015	(11,132)	199,880
Currency translation differences	-	-	(107)	-	-	-	-	(107)
Loss for the period	-	-	-	-	-	-	(3,351)	(3,351)
Transfer	-	-	-	(74)	-	-	74	-
Movement for the period	-	-	-	154	-	-	-	154
<b>30 June 2006 (unaudited)</b>	116,230	83,274	10,590	(6)	(118)	1,015	(14,409)	196,576
<b>31 December 2004 (audited) and 1 January 2005</b>	90,219	83,274	10,269	-	-	-	8,690	192,452
Currency translation differences	-	-	30	-	-	-	-	30
Loss for the period	-	-	-	-	-	-	(18,577)	(18,577)
Transfer	-	-	-	15	15	-	(38)	(8)
Issue of new shares	27,104	-	-	-	-	-	-	27,104
Share issue expenses	(1,093)	-	-	-	-	-	-	(1,093)
<b>30 June 2005 (unaudited)</b>	116,230	83,274	10,299	15	15	-	(9,925)	199,908

**16. Commitments**

	<b>30 June 2006 (unaudited) HK\$'000</b>	<b>30 June 2006 (unaudited) HK\$'000</b>	31 December 2005 (audited) HK\$'000	31 December 2005 (audited) HK\$'000
	<b>Continuing operations</b>	<b>Discontinued operations</b>	Continuing operations	Discontinued operations
Total minimum commitments under non-cancellable operating leases for land and buildings due:				
As lessee				
Within one year	<b>3,266</b>	-	3,326	6,540
In the second to fifth years, inclusive	<b>4,630</b>	-	6,129	15,470
After five years	-	<b>3,174</b>	-	29,415
	<b>7,896</b>	<b>3,174</b>	9,455	51,425
As lessor				
Within one year	<b>1,577</b>	-	1,577	-
In the second to fifth years, inclusive	<b>2,760</b>	-	3,549	-
	<b>4,337</b>	-	5,126	-

**17. Related Party Transactions**

	Six months ended 30 June		Six months ended 30 June	
	2006	2006	2005	2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Rental income charged to associates	-	-	195	-
General and administrative expenses charged to an associate	-	-	180	-
Interest income from associates	-	-	217	-

Remuneration of key management personnel, including amounts paid to the Company's Directors and highest paid employees is as follows:

Short-term employee benefits	<b>2,667</b>	-	3,186	-
Post-employment benefits	<b>18</b>	-	24	-
Equity compensation benefits	-	-	484	-

**18. Subsequent Events**

- (i) On 22 May 2006, the Company and its wholly owned subsidiary, Talent Sino Holdings Limited ("Talent Sino"), entered into a conditional sale and purchase agreement with an independent third party whereby Talent Sino agreed to sell all of its interest in Windsor Treasure Group Holdings Limited ("WTG"), representing approximately 51.52% interest in the issued share capital of and shareholders' loan to WTG, at an aggregate consideration of HK\$96,000,000 payable in cash.

The above transaction was completed on 28 July 2006 and a total of HK\$76,800,000 was received upon completion of the transaction. As stipulated in the sale and purchase agreement, the balance of the consideration of HK\$19,200,000 will be received three months after completion of the transaction.

On 18 August 2006, the Company announced the declaration of a special interim dividend of HK\$0.20 per share to be payable in cash to its shareholders on or around 19 September 2006.

**18. Subsequent Events (continued)**

- (ii) On 21 July 2006, the Company, through two of its indirect non-wholly owned subsidiaries entered into a put and call option deed with an independent third party whereby (a) the subsidiaries agreed to grant to the independent third party irrevocable call options to require the subsidiaries to sell an aggregate of 4,000,000 shares of their equity investment listed on Australian Stock Exchange ("the Shares") at an exercise price of AUD0.55 per share during the period from 21 July 2006 to 20 October 2006; and (b) the independent third party agreed to grant to the subsidiaries put options to require the independent third party to purchase the Shares during the period from 21 October 2006 to 27 October 2006, at the same exercise price of AUD0.55 per share. Deposits totalling approximately HK\$1,450,000 (AUD250,000) were received. The balance of the consideration of HK\$11,310,000 (AUD1,950,000) will be received upon the completion of the transaction.

**19. New HKFRSs Not Yet Effective**

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures*
HKFRS 7	Financial Instruments: Disclosures*
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies#
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>‡</sup>
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives <sup>@</sup>

\* Effective for annual periods beginning on or after 1 January 2007

# Effective for annual periods beginning on or after 1 March 2006

‡ Effective for annual periods beginning on or after 1 May 2006

@ Effective for annual periods beginning on or after 1 June 2006

The Group has commenced assessing the potential impact of those new HKFRSs but is not yet in a position to determine whether they would have a significant impact on how its results of operations and financial position are presented. Those new HKFRSs may result in changes in future as to how the results of operations and financial position are presented.