Notes to the Financial Statements

31 December 2006

1. CORPORATE INFORMATION

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

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of financial statements

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

The principal accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2006 are consistent with those adopted in the financial statements for the year ended 31 December 2005, except for the adoption of the new and revised HKFRSs as explained in note 2(d) below.

(c) Judgments and estimates

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

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

(c) Judgments and estimates *(Continued)*

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

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

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

During the current year, the Group has adopted the new and revised HKFRSs which are effective for accounting periods commencing on or after 1 December 2005 or 1 January 2006. The new and revised HKFRSs which are relevant to the Group's operations are as follows:

		Effective for accounting period beginning on or after
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-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. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2006. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

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

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

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

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

(e) Basis of consolidation *(Continued)*

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

(f) Goodwill on consolidation

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

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

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

(g) Investments in subsidiaries

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

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

(h) Investments in associates

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

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

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

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

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

(i) Property, plant and equipment and depreciation

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

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

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

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

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

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

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

(j) Investment property

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

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

(k) Long term investments

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

(l) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

(m) Inventories

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

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

(n) Listed investments

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

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at cost less allowance for bad and doubtful debts, estimated by the Group management based on prior experience and the current economic environment.

(p) Trade and other payables

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

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

(q) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(r) Revenue

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

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

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

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

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

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

(s) Segment reporting

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

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

(t) Borrowing costs

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

(u) Operating leases

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

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

(v) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

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

(v) Employee benefits *(Continued)*

Share based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Foreign currency translation

Items included in the financial statements of each of Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The financial statements are presented in Hong Kong dollars, which reflects the economic substance of the underlying events and circumstances relevant to the Group.

Transactions in foreign currencies are translated into functional currency at the appropriate rates ruling on the dates of the individual transactions. Monetary assets and liabilities denominated in other currencies are translated at the approximate rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, monetary assets and liabilities of the subsidiaries are translated at the appropriate rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the approximate rates ruling on the dates of transactions. Income statement items are translated at the average rate of exchange during the year. All exchange differences arising on transaction are dealt with in the income statement.

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

(x) Taxation

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

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

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

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

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

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

(y) Cash and cash equivalents

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

(z) Related parties

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

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

ii) the party is an associate;

iii) the party is a member of the key management personnel of the Group;

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

v) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in iii) or iv); or

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

3. TURNOVER

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

	Group	
	2006	2005
	HK$'000	HK$'000
		(restated)
Sales of electronic components and products	**194,667**	162,077
Rental income	**1,577**	1,577
Trading of building materials and sundry products	**2,169**	3,096
	198,413	166,750

4. SEGMENT INFORMATION

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

(a) Business segments

For the year ended 31 December 2006

	Continuing operations				Discontinued operations			
	Electronic Components and Products HK$'000	Property Investments HK$'000	Building Materials and Sundry Products HK$'000	Sub-total HK$'000	Smart Card Technology HK$'000	Home Furniture HK$'000	Sub-total HK$'000	Consolidated HK$'000
REVENUE	194,667	1,577	2,169	198,413	2,896	182,447	185,343	383,756
SEGMENT PROFIT/(LOSS)	10,106	(245)	(9,307)	554	(3,458)	29,122	25,664	26,218
Interest income				1,354	–	–	–	1,354
Other income				790	–	–	–	790
Profit on disposal of subsidiaries				4,131	–	–	–	4,131
Profit on disposal of listed investments				36	–	–	–	36
Revaluation deficit on listed investments				(466)	–	–	–	(466)
Impairment on long term investments				(17,700)	–	–	–	(17,700)
Unallocated administrative and other operating expenses				(19,025)	–	–	–	(19,025)
Finance costs				(8,705)	–	(663)	(663)	(9,368)
Share of results of associates				(30)	–	–	–	(30)
LOSS BEFORE TAXATION				(39,061)	(3,458)	28,459	25,001	(14,060)
TAXATION				(288)	–	(36)	(36)	(324)
(LOSS)/PROFIT FOR THE YEAR				(39,349)	(3,458)	28,423	24,965	(14,384)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

For the year ended 31 December 2005

	Continuing operations				Discontinued operations			
	Electronic Components and Products HK$'000	Property Investments HK$'000	Building Materials and Sundry Products HK$'000	Sub-total HK$'000	Smart Card Technology HK$'000	Home Furniture HK$'000	Sub-total HK$'000	Consolidated HK$'000
REVENUE	162,077	1,577	3,096	166,750	2,865	223,658	226,523	393,273
SEGMENT PROFIT/(LOSS)	8,137	1,048	(42)	9,143	(6,055)	33,428	27,373	36,516
Interest income				1,083	–	111	111	1,194
Other income				2,287	–	–	–	2,287
Write back of share of loss of an associate				1,545	–	–	–	1,545
Negative goodwill				1,505	–	–	–	1,505
Revaluation deficit on listed investments				(8,206)	–	–	–	(8,206)
Impairment on investment property				(1,570)	–	–	–	(1,570)
Amortisation and impairment on goodwill of associates				(9,608)	–	–	–	(9,608)
Write off of amounts due from associates				(1,864)	–	–	–	(1,864)
Write off of rental deposits				(239)	–	–	–	(239)
Bad and doubtful debts				(698)	–	–	–	(698)
Unallocated administrative and other operating expenses				(18,372)	–	–	–	(18,372)
Finance costs				(6,058)	(30)	(1,450)	(1,480)	(7,538)
Share of results of associates				(391)	–	–	–	(391)
LOSS BEFORE TAXATION				(31,443)	(6,085)	32,089	26,004	(5,439)
TAXATION				(272)	–	(697)	(697)	(969)
(LOSS)/PROFIT FOR THE YEAR				(31,715)	(6,085)	31,392	25,307	(6,408)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Continuing operations						Discontinued operations					
	Electronic Components and Products		Property Investments		Building Materials and Sundry Products		Smart Card Technology		Home Furniture		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS												
Segment assets	**152,105**	138,650	**12,172**	13,281	**3,634**	13,308	**–**	24,371	**–**	183,355	**167,911**	372,965
Unallocated assets											**92,187**	93,135
											260,098	466,100
LIABILITIES												
Segment liabilities	**34,912**	20,021	**273**	263	**1,709**	2,012	**–**	23,718	**–**	80,464	**36,894**	126,478
Unallocated liabilities											**48,250**	64,137
											85,144	190,615
CAPITAL EXPENDITURE												
Segment	**1,886**	6,681	**–**	–	**–**	–	**–**	6	**–**	2,970	**1,886**	9,657
Other											**122**	381
											2,008	10,038
DEPRECIATION AND AMORTISATION												
Segment	**4,743**	3,519	**–**	–	**–**	–	**98**	148	**2,051**	2,970	**6,892**	6,637
Other											**231**	279
											7,123	6,916
IMPAIRMENT LOSS												
Segment	**–**	–	**1,360**	1,570	**9,485**	–	**–**	–	**–**	–	**10,845**	1,570
Other											**17,700**	–
											28,545	1,570

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical area

	Asia		Europe		United States of America		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
REVENUE								
– Continuing operations	194,088	162,422	178	–	4,147	4,328	198,413	166,750
– Discontinued operations	185,343	194,975	–	21,078	–	10,470	185,343	226,523
	379,431	357,397	178	21,078	4,147	14,798	383,756	393,273
SEGMENT PROFIT/(LOSS)								
– Continuing operations	9,749	9,123	9	–	(9,204)	20	554	9,143
– Discontinued operations	25,664	22,658	–	3,150	–	1,565	25,664	27,373
	35,413	31,781	9	3,150	(9,204)	1,585	26,218	36,516
Interest income								
– Continuing operations							1,354	1,083
– Discontinued operations							–	111
Other income								
– Continuing operations							790	2,287
– Discontinued operations							–	–
Profit on disposal of subsidiaries							4,131	–
Profit on disposal of listed investments							36	–
Write back of share of loss of an associate							–	1,545
Negative goodwill							–	1,505
Revaluation deficit on listed investments							(466)	(8,206)
Impairment on investment property							–	(1,570)
Impairment on long term investments							(17,700)	–
Amortisation and impairment on goodwill of associates							–	(9,608)
Write off of amounts due from associates							–	(1,864)
Write off of rental deposits							–	(239)
Bad and doubtful debts							–	(698)
Unallocated administrative and other operating expenses							(19,025)	(18,372)
Finance costs								
– Continuing operations							(8,705)	(6,058)
– Discontinued operations							(663)	(1,480)
Share of results of associates							(30)	(391)
Taxation								
– Continuing operations							(288)	(272)
– Discontinued operations							(36)	(697)
LOSS FOR THE YEAR							(14,384)	(6,408)

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

5. RELATED PARTY TRANSACTIONS

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

		Group	
	Notes	**2006** **HK$'000**	2005 HK$'000
Consultancy fee paid by the Group to Princeton Venture Partners Limited	(a)	**(3,950)**	(150)
Interest income charged to Princeton Venture Partners Limited	(b)	**58**	288
Rental income received from Princeton Venture Partners Limited	(a)	**–**	315
Consultancy fee received from Bizipoint Company Limited	(a)	**–**	360
Interest income charged to Bizipoint Company Limited	(b)	**–**	75
Rental income received from Bizipoint Company Limited	(a)	**–**	30

Notes:

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

(b) Interest income was calculated at prime rate + 2% per annum (2005: 5%).

(ii) Details of the Group's loan to its associate as at the balance sheet date are included in note 18 to the financial statements.

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

	Group	
	2006 **HK$'000**	2005 HK$'000
Short-term employee benefits	**8,547**	7,971
Post-employment benefits	**62**	52
Equity compensation benefits	**–**	484
	8,609	8,507

6. LOSS FROM OPERATING ACTIVITIES

	Group	
	2006	2005
	HK$'000	HK$'000
		(restated)
Arrived at after crediting:		
Gross rental income	**1,577**	1,577
Less: outgoings	**(529)**	(529)
Net rental income	**1,048**	1,048
Interest income	**1,354**	1,083
Profit on disposal of subsidiaries	**4,131**	–
Profit on disposal of listed investments	**36**	–
Write back of provisions	**67**	303
Negative goodwill	**–**	1,505
Exchange gains, net	**69**	175
and after charging:		
Impairment on goodwill of subsidiaries	**9,485**	–
Amortisation and impairment on goodwill of associates	**–**	9,608
Revaluation loss on listed investments	**466**	8,206
Auditors' remuneration	**1,031**	1,152
Bad and doubtful debts	**241**	698
Write off of amount due from associates	**–**	1,864
Cost of inventories sold	**176,243**	147,071
Depreciation on properties, plant and equipment	**4,974**	3,798
Impairment on investment property	**1,360**	1,570
Impairment on long term investments	**17,700**	–
Loss on disposal of properties, plant and equipment	**225**	481
Operating lease rentals for land and buildings	**3,094**	3,196
Staff costs:		
Wages and salaries (including Directors' emoluments)	**24,124**	23,110
Retirement fund contributions	**260**	299
Employee share options	**–**	1,015

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
		(restated)
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	**5,817**	3,438
Other loan	**2,888**	2,620
	8,705	6,058

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight (2005: ten) directors were as follows:

		Other emoluments			
	Fees	Salaries and other benefits	Contributions to retirement schemes	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Shaw Wen Fei	–	–	–	–	–
Sung Kai Hing, Simon	–	585	7	–	592
Au Hoi Tsun, Peter	663	1,417	12	–	2,092
Hui Tung Wah, Samuel	–	1,575	7	–	1,582
Sung Yan Wai, Petrus	–	1,690	12	–	1,702
Wong Che Keung, Richard	100	–	–	–	100
Tong Yee Yung, Joseph	100	–	–	–	100
Wong Kin Chi	180	–	–	–	180
Total for 2006	1,043	5,267	38	–	6,348

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

(a) Directors' emoluments *(Continued)*

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

Emoluments paid to Independent non-executive Directors during the Year were HK$380,000 (2005: HK$324,000).

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

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

(b) Employees' emoluments

During the Year, the five highest paid individuals included three directors (2005: four directors), details of those emoluments are set out above. The emoluments of the remaining two (2005: one) highest paid individuals were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**2,237**	991
Contributions to retirement schemes	**24**	12
Share-based payment	**–**	6
	2,261	1,009

The emoluments of the two (2005: one) individuals with the highest emoluments were within the following bands:

	2006	2005
	Number of employees	Number of employees
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1

9. TAXATION

Provision for Hong Kong profits tax has been made at the current rate of taxation of 17.5% on the estimated assessable profit for the year (2005: 17.5%). Taxes on income earned outside Hong Kong have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

	Group	
	2006	2005
	HK$'000	HK$'000
		(restated)
Current year provision:		
Hong Kong	**265**	276
Outside Hong Kong	**23**	23
	288	299
Deferred tax – note 28	**–**	(27)
Taxation	**288**	272

Taxation is reconciled to the loss before taxation per consolidated income statement as follows:

	2006	2005
	HK$'000	HK$'000
		(restated)
Loss before taxation	**(39,061)**	(31,443)
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**(6,835)**	(5,502)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**2,784**	2,865
Tax effect of expenses that are not deductible in determining taxable profit	**12,855**	623
Tax effect of temporary differences not recognised	**12**	(303)
Tax effect of tax depreciation not recognised	**72**	2,078
Tax effect of income that are not taxable in determining taxable profit	**(11,321)**	(995)
Tax effect of unused tax losses not recognised	**2,726**	1,506
Prior year overprovision	**(5)**	–
Taxation	**288**	272

10. 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.

On 29 December 2006, the Company announced OHL, an indirect non-wholly owned subsidiary, disposed of VFJ Technology Holdings Limited ("VFJ"). VFJ engages in smart card technology business and is a separate business segment. The disposal of VFJ was completed on 29 December 2006.

The results of VFJ and WTG for the period/year are presented below:

		2006			2005	
		HK$'000			HK$'000	
	VFJ	**WTG**	**Total**	VFJ	WTG	Total
Turnover	**2,896**	**182,447**	**185,343**	2,865	223,658	226,523
Interest income	**–**	**–**	**–**	–	111	111
Other revenue	**178**	**1,058**	**1,236**	38	714	752
Expenses	**(6,532)**	**(154,383)**	**(160,915)**	(8,958)	(190,944)	(199,902)
Finance costs	**–**	**(663)**	**(663)**	(30)	(1,450)	(1,480)
(Loss)/profit before tax from discontinued operations	**(3,458)**	**28,459**	**25,001**	(6,085)	32,089	26,004
Taxation	**–**	**(36)**	**(36)**	–	(697)	(697)
(Loss)/profit for the period/year from discontinued operations	**(3,458)**	**28,423**	**24,965**	(6,085)	31,392	25,307

10. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows incurred by VFJ and WTG are as follows:

	2006 HK$'000			2005 HK$'000		
	VFJ	**WTG**	**Total**	VFJ	WTG	Total
Net cash (used in)/ generated from operating activities	**(3,021)**	**1,665**	**(1,356)**	(4,349)	19,476	15,127
Net cash (used in)/ generated from investing activities	**(5)**	**32**	**27**	(5)	(2,357)	(2,362)
Net cash generated from/(used in) financing activities	**3,112**	**–**	**3,112**	4,410	(1,068)	3,342
Total net cash inflow from discontinued operations	**86**	**1,697**	**1,783**	56	16,051	16,107

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$57,893,000 (2005: HK$1,963,000).

12. DIVIDEND

	2006 HK$'000	2005 HK$'000
Special interim – HK$0.2 (2005: Nil) per ordinary share	**30,088**	–

No final dividend was proposed for the Year (2005: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculations of basic loss per share are based on:

	2006	2005
	HK$'000	HK$'000
		(restated)
Net (loss) / profit attributable		
to ordinary equity holders of the parent company		
– Continuing operations	**(43,293)**	(33,131)
– Discontinued operations	**12,637**	13,340
	(30,656)	(19,791)
Weighted average number of		
ordinary shares in issue during the year	**150,439,152**	140,691,370

No diluted loss per share is presented for the years ended 31 December 2006 and 2005 as the exercise of share options outstanding would be anti-dilutive.

14. PROPERTIES, PLANT AND EQUIPMENT

Group

	Land and buildings situated overseas HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
1 January 2005	4,255	8,530	39,290	9,830	4,036	65,941
Exchange difference	82	35	406	26	54	603
Additions	–	4,391	5,074	573	–	10,038
Disposals	(4,337)	(452)	(153)	(227)	(340)	(5,509)
31 December 2005 and 1 January 2006	–	12,504	44,617	10,202	3,750	71,073
Exchange difference	–	73	359	60	90	582
Additions	–	866	747	160	235	2,008
Disposals	–	(234)	–	(336)	(66)	(636)
Disposal of subsidiaries	–	(2,027)	(24,077)	(2,087)	(2,740)	(30,931)
31 December 2006	–	11,182	21,646	7,999	1,269	42,096
Accumulated depreciation						
1 January 2005	33	1,972	21,562	7,983	2,314	33,864
Exchange difference	1	2	184	11	24	222
Additions	200	1,896	3,693	612	515	6,916
Disposals	(234)	(135)	(153)	(62)	(340)	(924)
31 December 2005 and 1 January 2006	–	3,735	25,286	8,544	2,513	40,078
Exchange difference	–	24	467	37	54	582
Additions	–	2,235	4,321	419	148	7,123
Disposals	–	(118)	–	(205)	(4)	(327)
Disposal of subsidiaries	–	(628)	(14,158)	(1,378)	(1,508)	(17,672)
31 December 2006	–	5,248	15,916	7,417	1,203	29,784
Net book value						
31 December 2006	**–**	**5,934**	**5,730**	**582**	**66**	**12,312**
31 December 2005	–	8,769	19,331	1,658	1,237	30,995

15. INVESTMENT PROPERTY

	Group	
	2006	2005
	HK$'000	HK$'000
1 January, at valuation	**10,430**	12,000
Impairment	**(1,360)**	(1,570)
31 December, at valuation	**9,070**	10,430
Analysed by lease term and geographical location:		
Medium term leasehold properties situated outside Hong Kong	**9,070**	10,430

The investment property was revalued by reference to appraisals made by Dudley Surveyors Limited, chartered surveyors, on an open market value basis based on its existing use on 31 December 2006.

Details of the investment property of the Group as at 31 December 2006 are as follows:

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

16. LONG TERM INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity investments, at cost	**10,000**	23,700

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

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**451,898**	467,846
Due to subsidiaries	**(1)**	(1)
	451,898	467,846
Less: provision	**(325,751)**	(247,751)
	126,147	220,095

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

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group		Principal activities
			2006	2005	
Directly held:					
Hai Yang Investment Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Team Talent Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly held:					
Asia eMarket Limited	British Virgin Islands	US$152	**A-share 96.2%**	A-share 96.2%	Investment holding
Barnet Consultancy Limited	British Virgin Islands	US$1	**100%**	100%	Provision of corporate services
Best Start Services Limited	British Virgin Islands	US$1	**96.2%**	96.2%	Investment holding

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group 2006	2005	Principal activities
Indirectly held: (Continued)					
Crown Tech Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Up Crown International Limited	British Virgin Islands	US$1	**96.2%**	96.2%	Investment holding
Vandyke Limited	British Virgin Islands/ The People's Republic of China ("PRC")	US$1,000	**100%**	100%	Property holding
Omnitech Holdings Limited	Bermuda	AUD49,489,391	**77.04%**	77.04%	Investment holding

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

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

18. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**50,659**	50,689
Net book value of goodwill – see below	**–**	–
	50,659	50,689
Loan to associate	**9,000**	–
Interest receivable on loan to associate	**58**	–
	59,717	50,689

The loan to associate as at 31 December 2006 is unsecured, bearing interest at the rate of 2% per annum over prime rate and there are fixed terms of repayment.

Movements in goodwill:

	HK$'000
Cost	
1 January 2005	220,000
Elimination of accumulated amortisation upon the application of HKFRS 3	(210,392)
Impairment	(9,608)
31 December 2005 and **31 December 2006**	–
Accumulated amortisation	
1 January 2005	210,392
Elimination of accumulated amortisation upon the application of HKFRS 3	(210,392)
31 December 2005 and **31 December 2006**	–
Net book value	
31 December 2006	–
31 December 2005	–

18. INTERESTS IN ASSOCIATES *(Continued)*

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

Name of associate	Class of shares held	Place of incorporation/ registration and operation	Equity interest owned by the Group 2006	2005	Principal activities
PVP Limited	Ordinary	British Virgin Islands	**A-share 37.2%** **B-share 37.2%**	A-share 37.2% B-share 37.2%	Investment holding
Princeton Venture Partners Limited	Ordinary	British Virgin Islands	**37.2%**	37.2%	Investment holding and consultancy

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

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

PVP Group

	2006 HK$'000	2005 HK$'000
Turnover	**4,334**	1,006
Loss for the year	**(80)**	(1,238)
Non-current assets	**206,033**	111,850
Current assets	**9,703**	25,021
Current liabilities	**(9,084)**	(625)
Non-current liabilities	**–**	–

19. GOODWILL

	Group
	HK$'000
Cost	
1 January 2005	23,225
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,458)
31 December 2005	21,767
Release on disposal of subsidiaries	(12,282)
Impairment	(9,485)
31 December 2006	–
Accumulated amortisation	
1 January 2005	1,458
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,458)
31 December 2005 and **31 December 2006**	–
Net book value	
31 December 2006	–
31 December 2005	21,767

20. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**50,797**	51,143
Work in progress	**–**	11,443
Finished goods	**4,075**	27,378
	54,872	89,964

There is HK$Nil inventory stated at net realisable value (2005: HK$815,000), included in the above.

21. TRADE AND OTHER RECEIVABLES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Current	**43,981**	69,241
One to three months	**15,529**	21,241
More than three months	**2,477**	54,939
	61,987	145,421

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

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade and other receivables comprise the following:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollars	**60,594**	92,819
United States dollars	**1,393**	7,005
Chinese Renminbi	**–**	45,597
	61,987	145,421

22. LISTED INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**975**	2,637
Overseas	**14,272**	16,931
	15,247	19,568

23. CASH AND BANK BALANCES

Cash and bank balances represent cash on hand and at banks and include time deposits and guarantee funds of HK$22,479,000 (2005: HK$22,285,000) pledged as security for general banking facilities provided to certain subsidiaries.

Cash and bank balances comprise the following:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollars	**35,076**	34,868
United States dollars	**135**	24,571
Chinese Renminbi	**76**	7,444
Australian dollars	**281**	1,057
Euros	**1**	50
	35,569	67,990

24. DUE TO RELATED PARTIES

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

25. TRADE AND OTHER PAYABLES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Current	**11,671**	34,474
One to three months	**7,400**	11,666
More than three months	**8,650**	19,293
	27,721	65,433

Trade and other payables comprise the following:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollars	**24,077**	23,137
Australian dollars	**1,709**	133
Chinese Renminbi	**1,935**	42,163
	27,721	65,433

26. INTEREST BEARING BANK BORROWINGS

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

	Group	
	2006	2005
	HK$'000	HK$'000
Repayable on demand or within one year		
Bank overdrafts – secured	**6,117**	7,391
Bank loan – secured	**47,763**	50,146
– unsecured	**–**	9,615
	53,880	67,152
Repayable in the second year		
Bank loans – secured	**1,284**	1,289
Repayable in the third to fifth years, inclusive		
Bank loans – secured	**101**	1,835
	1,385	3,124
	55,265	70,276

The above secured bank borrowings are secured by:

(a) charges over time deposits and guarantee funds of approximately HK$22,479,000 (2005: HK$22,285,000);

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

27. OTHER LOAN PAYABLE

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

28. DEFERRED TAX LIABILITIES

	Group	
	2006	2005
	HK$'000	HK$'000
1 January	**17**	44
Release to profit and loss account – note 9	**–**	(27)
31 December	**17**	17

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

	Group			
	Provided		Not provided	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated capital allowances	**17**	17	**12**	(16)
Tax losses	**–**	–	**(10,184)**	(36,759)
	17	17	**(10,172)**	(36,775)

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

29. SHARE CAPITAL

Share

	Number of ordinary shares of HK$0.01	Amount HK$'000
Authorised:		
1 January 2006 and 31 December 2006	15,000,000,000	150,000
Issued and fully paid:		
1 January 2006 and 31 December 2006	150,439,152	1,504

Share options

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

At the balance sheet date, there were 4,274,000 share options outstanding under the share option scheme adopted by the Company on 22 March 2002.

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

	2006		2005	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$0.84**	**10,814,000**	HK$0.95	2,720,000
Adjustment during the year for open offer	**–**	**–**	HK$0.95	544,000
Granted during the year	**–**	**–**	HK$0.80	8,510,000
Lapsed during the year	**HK$0.83**	**(6,540,000)**	HK$0.88	(960,000)
Outstanding at the end of the year	**HK$0.85**	**4,274,000**	HK$0.84	10,814,000
Exercisable at the end of the year	**HK$0.85**	**4,274,000**	HK$0.84	10,814,000

The options outstanding at 31 December 2006 had an exercise price of HK$0.95 or HK$0.80 (2005: HK$0.95 or HK$0.80) and a weighted average remaining contractual life of 2.85 years (2005: 3.96 years).

29. SHARE CAPITAL (Continued)

Valuation of share options

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

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

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

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

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

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

30. RESERVES

Group

	Share Premium HK$'000	Contributed Surplus HK$'000	Exchange Fluctuation Reserve HK$'000	Enterprises Development Fund HK$'000	Reserve Fund HK$'000	Employee Compensation Reserve HK$'000	Retained Profits/ (Accumulated Losses) HK$'000	Total HK$'000
1 January 2005	90,219	83,274	10,269	–	–	–	8,690	192,452
Loss for the year	–	–	–	–	–	–	(19,791)	(19,791)
Currency translation differences	–	–	428	–	–	–	–	428
Transfer	–	–	–	15	16	–	(31)	–
Employee share options	–	–	–	–	–	1,015	–	1,015
Movement for the year	–	–	–	(101)	(134)	–	–	(235)
Issue of new shares	27,104	–	–	–	–	–	–	27,104
Share issue expenses	(1,093)	–	–	–	–	–	–	(1,093)
31 December 2005 and 1 January 2006	116,230	83,274	10,697	(86)	(118)	1,015	(11,132)	199,880
Loss for the year	–	–	–	–	–	–	(30,656)	(30,656)
Currency translation differences	–	–	507	–	–	–	–	507
Movement for the year	–	–	–	–	118	–	–	118
Release on disposal of subsidiaries	–	–	(1,972)	86	–	–	–	(1,886)
Share options lapsed	–	–	–	–	–	(492)	–	(492)
Dividend paid	–	–	–	–	–	–	(30,088)	(30,088)
31 December 2006	**116,230**	**83,274**	**9,232**	**–**	**–**	**523**	**(71,876)**	**137,383**

Included in the Group's accumulated losses at 31 December 2006 were accumulated losses of HK$8,281,000 (2005: HK$8,251,000) relating to associates.

30. RESERVES *(Continued)*

Company

	Share Premium HK$'000	Contributed Surplus HK$'000	Employee Compensation Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
1 January 2005	90,219	125,376	–	(22,131)	193,464
Loss for the year	–	–	–	(1,963)	(1,963)
Employee share options	–	–	1,015	–	1,015
Issue of new shares	27,104	–	–	–	27,104
Share issue expenses	(1,093)	–	–	–	(1,093)
31 December 2005 and 1 January 2006	116,230	125,376	1,015	(24,094)	218,527
Loss for the year	–	–	–	(57,893)	(57,893)
Share options lapsed	–	–	(492)	–	(492)
Dividend paid	–	–	–	(30,088)	(30,088)
31 December 2006	**116,230**	**125,376**	**523**	**(112,075)**	**130,054**

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

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

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2006	2005
	HK$'000	HK$'000
(Loss)/profit before taxation		
– Continuing operations	**(39,061)**	(31,443)
– Discontinued operations	**25,001**	26,004
Adjustments for:		
Profit on disposal of subsidiaries	**(4,131)**	–
Interest income	**(1,354)**	(1,194)
Interest expenses	**9,368**	7,539
Write back of provisions	**(67)**	(339)
Depreciation on properties, plant and equipment	**7,123**	6,916
Bad and doubtful debts	**297**	3,367
Write off of amount due from associates	**–**	1,864
Write off of rental deposit	**–**	239
Revaluation deficit on listed investments	**466**	8,206
Amortisation and impairment on goodwill of associates	**–**	9,608
Impairment on goodwill of subsidiaries	**9,485**	–
Impairment on investment property	**1,360**	1,570
Impairment on long term investments	**17,700**	–
Loss on disposal of properties, plant and equipment	**243**	1,415
(Profit)/loss on disposal of listed investments	**(36)**	14
(Write back on lapse of options)/Employee share options	**(492)**	1,015
Negative goodwill	**–**	(1,505)
Write back of share of loss of an associate	**–**	(1,545)
Share of results of associates	**30**	391
Operating profit before working capital changes	**25,932**	32,122
Decrease/(increase) in inventories	**6,093**	(12,700)
Increase in trade and other receivables	**(46,534)**	(48,943)
(Increase)/decrease in prepayments and deposits	**(1,559)**	3,842
Increase/(decrease) in trade and other payables	**26,798**	(9,775)
Decrease in amounts due to related parties	**(8)**	(4,159)
(Decrease)/increase in deposits received	**(21,041)**	12,019
Net cash used in operations	**(10,319)**	(27,594)

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

(b) Disposal of subsidiaries

	Group	
	2006	2005
	HK$'000	HK$'000
Net assets disposed of:		
Properties, plant and equipment	**13,259**	–
Inventories	**29,000**	–
Deposits and prepayments	**2,448**	–
Trade and other receivables	**94,820**	–
Tax recoverable	**2,574**	–
Cash and bank balances	**37,297**	–
Trade and other payables	**(64,444)**	–
Due to related parties	**(18)**	–
Tax payables	**(216)**	–
Short term loans	**(9,615)**	–
Shareholders' loan	**(29,028)**	–
Minority interests	**(54,274)**	–
	21,803	–
Goodwill on consolidation released	**12,282**	–
	34,085	–
Loan to subsidiaries	**59,992**	–
	94,077	–
Represented by:		
Cash received	**96,010**	–
Profit on disposal	**(4,131)**	–
Exchange fluctuation reserve released	**1,972**	–
Enterprises development fund released	**(86)**	–
Minority interests	**312**	–
	94,077	–

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

(b) Disposal of subsidiaries *(Continued)*

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

	2006 HK$'000	2005 HK$'000
Cash received	**96,010**	–
Cash and bank balances of disposed subsidiaries	**(37,297)**	–
	58,713	–

32. CONTINGENT LIABILITIES

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Corporate guarantees given to banks and others	**75,000**	86,800	**–**	31,100

33. COMMITMENTS

	Group 2006 HK$'000	Group 2005 HK$'000
Capital commitments		
– contracted for	–	–
– authorised but not contracted for	–	–
	–	–
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	**2,301**	9,866
In the second to fifth years, inclusive	**4,019**	21,599
After five years	–	29,415
	6,320	60,880
As lessor		
Within one year	**1,577**	1,577
In the second to fifth years, inclusive	**1,972**	3,549
	3,549	5,126

The Company has no capital or operating lease commitments.

34. FINANCIAL INSTRUMENTS

a) Financial risk management

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

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

i) Foreign currency risk

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

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

ii) Credit risk

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

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

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

Cash is held with financial institutions of good standing.

34. FINANCIAL INSTRUMENTS *(Continued)*

a) Financial risk management *(Continued)*

iii) Liquidity risk

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

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

iv) Cash flow and fair value interest rate risk

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

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

b) Estimation of fair values

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

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

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2006

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 ø
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives @

* Effective for annual periods beginning on or after 1 January 2007
\# Effective for annual periods beginning on or after 1 March 2006
ø 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.

36. COMPARATIVE FIGURES

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

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2007.