



OMNICORP LIMITED
兩儀控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code:94

Annual Report
2006

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Corporate Information

BOARD OF DIRECTORS

Wong Kin Chi
(Chairman and
Independent non-executive Director)
Au Hoi Tsun, Peter
(Managing Director and
Chief Executive Officer)
Sung Yan Wai, Petrus
Hui Tung Wah, Samuel
Wong Che Keung, Richard
(Independent non-executive Director)
Tong Yee Yung, Joseph
(Independent non-executive Director)

AUDIT COMMITTEE

Wong Che Keung, Richard (Chairman)
Tong Yee Yung, Joseph
Wong Kin Chi

REMUNERATION COMMITTEE

Tong Yee Yung, Joseph (Chairman)
Wong Che Keung, Richard
Wong Kin Chi

COMPANY SECRETARY

Leung Man Kwan, Francis

QUALIFIED ACCOUNTANT

Tam Wing Yiu, Alex

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 1505 – 07
15th Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2526 2588
Fax: (852) 2521 6088
e-mail: info@omnicorplimited.com

AUDITORS

Moore Stephens

SOLICITORS

Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL REGISTRAR & TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM DX
Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

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Chairman's Statement

The Group made a loss before minority interests of HK\$14.4 million for the year ended 31 December 2006 (the "Year") compared with a loss of HK\$6.4 million for 2005. Net loss attributable to shareholders for the Year amounted to HK\$30.7 million compared with a net loss of HK\$19.8 million for 2005.

The Group's 77.04 % subsidiary, Omnitech Holdings Limited ("OHL"), a company listed on the Australian Stock Exchange, disposed of its investment in the smart card technology division, VFJ Technology Holdings Limited ("VFJ") towards the end of 2006. VFJ has not been operating in a profitable situation for years and has not recorded any encouraging revenue growth. OHL therefore decided to dispose of its investment in VFJ. Without the adverse impact of VFJ, OHL contributed positively to the Group's operating results through its wholly-owned electronic components division, Lik Hang Holdings Limited ("Lik Hang").

Lik Hang recorded healthy growth in both revenue and operating profit this Year as compared to 2005 as a result of its diversification into power supply related components. Lik Hang will continue its efforts in developing products in this area specially those components that are energy efficient and reduce warming emissions. Global warming and environmental control is a major concern in today's world. There will be increasing demand for products that make global energy supply more efficient. Lik Hang is determined to further develop electronic components to meet this increasing demand.

During the Year, the Group realised its investment in the home furniture division, Windsor Treasure Group Holdings Limited ("WTG"). The disposal of this investment was approved by our shareholders during the Special Shareholders' Meeting held on 19 July 2006. This investment has contributed positively to our operating results and generated good cash inflows for the Group on completion of the disposal. As a result, a special interim dividend of HK\$0.2 per ordinary share was declared and paid during the Year.

The Group's results were adversely affected by the increase in its administrative, other operating expenses and finance costs which in aggregate increased from HK\$54.2 million in 2005 to HK\$66.9 million for the current year. In view of that the Group has now adopted more stringent measures to control costs and expenses.

Chairman's Statement (Continued)

Looking forward, the Group will concentrate on its electronic components business to capture this multi-billion dollar market worldwide. The Group will also look for other investments that have the potential to provide healthy return to our shareholders.

Finally, I would like to thank Mr. Shaw Wen Fei and Mr. Sung Kai Hing, Simon who resigned as Directors on 15 June 2006 and 11 January 2007 respectively for their years of contribution to the Group.

Wong Kin Chi

Chairman

Hong Kong, 23 March 2007

Management Discussion and Analysis

REVIEW OF OPERATIONS

For the year ended 31 December 2006 (the “Year”), Omnicorp Limited (the “Company”) together with its subsidiaries (the “Group”), made a loss after tax and before minority interests of HK\$14,384,000 compared with a loss of HK\$6,408,000 for 2005. Net loss attributable to shareholders for the Year amounted to HK\$30,656,000 compared with a net loss of HK\$19,791,000 for last year.

Total turnover of the Group amounted to HK\$198,413,000, an increase of 19.0% compared with the turnover of HK\$166,750,000 for 2005. This increase in turnover was mainly attributable to the growth from the electronic component business.

Gross margin decreased slightly from 11.8% for 2005 to 11.2% for the Year. The decrease was mainly due to the fluctuation of raw material costs and the increase of labour costs during the Year.

The Group’s electronic components division operating under Lik Hang Holdings Limited (“Lik Hang”) recorded a 20.1% increase in revenue from HK\$162,077,000 for 2005 to HK\$194,667,000 for the Year. Raw material costs, in particular, copper and plastic materials escalated to a record high in the first half of 2006 but managed to ease off in the second half. However, labour costs continued to increase due to labour shortage in the Pearl River Delta region in China. Despite the difficult environment, Lik Hang contributed a profit of HK\$10,106,000 for the Year as compared to HK\$8,137,000 for 2005 representing an increase of 24.2%.

Lik Hang’s revenue growth was mainly due to its diversification of product range especially in the area of power supply related components. This division will continue its effort in developing more energy efficient components in order to meet the increasing demand of power saving consumer electronic products. As the world is more aware of the need for better environmental protection, more and more countries are imposing mandatory standards on power consumption efficiency of all electronic and electrical products. This increasing demand will be the driving force for Lik Hang’s future growth.

During the Year, the Group disposed of its investments in the home furniture division and the smart card technology division (the “Discontinued Operations”). The home furniture division operating under Windsor Treasure Group Holdings Limited (“WTG”) contributed a profit before minority interests of HK\$28,423,000 for the seven months period owned by the Group compared to a profit before minority interests of HK\$31,392,000 for the full year in 2005. The Board decided to dispose of this division because of the substantial amount of financial resources and management efforts required in order to maintain and expand its market position in the highly competitive home furniture industry in China. Given the reasonable purchase price offered, the Directors considered that it was the appropriate time for the Group to realize its investment in WTG. The smart card

Management Discussion and Analysis (Continued)

technology division operating under VFJ Technology Holdings Limited (“VFJ”) contributed a loss before minority interests of HK\$3,458,000 for the Year as compared to a loss of HK\$6,085,000 for 2005. As VFJ has been operating at a loss for a number of years, the Board decided to dispose of its investment in this division.

Administrative expenses increased from HK\$25,303,000 for 2005 to HK\$28,726,000 for the Year. Other operating expenses increased from HK\$22,790,000 for 2005 to HK\$29,478,000 including the impairment write-down of the Group’s long term investments of HK\$17,700,000. The Group’s finance costs also increased from HK\$6,058,000 to HK\$8,705,000. These factors contributed to the bigger loss for the Year. The Group has adopted stronger measures to control operating expenses and other costs.

Equity attributable to the Company’s shareholders as at 31 December 2006 amounted to HK\$138,887,000 or HK\$0.9 per share (31 December 2005: HK\$201,384,000 or HK\$1.3 per share).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has continued to adopt prudent financial policies.

The Group’s current assets and current liabilities as at 31 December 2006 were HK\$168,999,000 and HK\$83,759,000, respectively (31 December 2005: HK\$328,519,000 and HK\$187,491,000 respectively). As at 31 December 2006, the Group had cash and bank deposits of approximately HK\$35,569,000 (31 December 2005: HK\$67,990,000), and short-term bank borrowings of HK\$53,880,000 (31 December 2005: HK\$67,152,000).

As at 31 December 2006, the Group’s gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders’ funds, was 39.8% (31 December 2005: 49.8%).

The Group has limited exposure to the foreign exchange fluctuations risks as most of its sales are denominated in Hong Kong dollars and United States dollars, being the same currencies in which the Group’s related costs and expenses are denominated. The Directors considered that the recent appreciation of Renminbi may have a negative but immaterial impact to the Group. During the Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2006.

During the Year, the Company had 150,439,152 shares in issue.

Management Discussion and Analysis (Continued)

PLEDGE ON ASSETS

As at 31 December 2006, the Group pledged bank balances in the amount of HK\$22,479,000 (31 December 2005: HK\$22,285,000) as securities for banking facilities to certain subsidiaries.

PROSPECTS

The management is disappointed with the overall loss of the Group for the Year. The Directors are actively reviewing all the Group's business and investment activities, long term strategies, and the implications of funding, management and other resources required to achieve better returns and value for our shareholders.

The electronic components division will continue its effort to further develop and expand sales in energy efficient power supply components.

EMPLOYEES AND REMUNERATION POLICIES

While the Group will continue to adopt strict financial discipline and cost control, it will actively pursue a personnel policy which will provide performance based rewards and incentives in order to retain and attract high caliber executives and employees.

As at 31 December 2006, the Group had approximately 1,000 employees, out of which approximately 900 were production workers in China. In addition to the provision of annual bonuses, medical insurance and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their individual performance. The remuneration policy and packages of the Group are reviewed from time to time.

Biographical Details of Directors

Mr. Wong Kin Chi, aged 55, is the Chairman and an independent non-executive director of the Company. Mr. Wong joined the Board in September 2004. He holds a MBA degree from the University of Durham, the United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants of the United Kingdom and the Society of Management Accountants of Canada for well over 10 years. Mr. Wong is currently running a company rendering professional services to clients with respect to financial and education management. Prior to this, he had over 20 years of experience serving as financial controller and senior executive in a number of multi-national corporations and as auditor in a Big Four international accounting firm. Mr. Wong is also an independent non-executive director of A-S China Plumbing Products Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Au Hoi Tsun, Peter, aged 55, is the Managing Director and Chief Executive Officer of the Company. Mr. Au joined the Board in April 2002. He is responsible for the overall corporate management of the Group. Mr. Au is also the founder and Managing Director of Omnitech Holdings Limited ("OHL"), the Company's subsidiary whose shares are listed on the Australian Stock Exchange. Prior to joining OHL, he was the Managing Director of Lik Hang Holdings Limited, a company involved in the manufacture and sale of electronic components. Mr. Au had also worked as Chief Financial Officer of the Asia Region of one of the largest advertising agency networks in the world and in a major international accounting firm. Mr. Au holds a Bachelor of Commerce degree from Concordia University, Canada and is a Canadian Chartered Accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Sung Yan Wai, Petrus, aged 46, is an executive director of the Company. Mr. Sung joined the Board in March 2003. He is also an executive director of OHL. He is the co-founder and President of ScalaSoft Limited, a company specialized in Information Technology ("IT") system development, WEB software engineering and strategic technology planning. Prior to that, Mr. Sung had been the Vice President of IT at Morgan Stanley, IT Consulting Manager of Sun Microsystems, System Design Engineer with Amdahl Corporation in Silicon Valley, United States of America ("USA") and Senior System Analyst of Nomura Research Institute Hong Kong Limited. Mr. Sung received his Bachelor of Science degree in Electrical Engineering and Computer Science from University of California, Berkeley.

Biographical Details of Directors (Continued)

Mr. Hui Tung Wah, Samuel, aged 52, is an executive director of the Company. Mr. Hui joined the Board in June 2005. He was an executive director of the Company from 9 July 2001 to 28 May 2003 and rejoined the Company as Deputy Chief Executive Officer from 1 May 2005, having served for 2 years as senior vice president of a Toronto-listed company. Mr. Hui comes from a strong financial and general management background having spent about 30 years working in senior management positions of major international and local banks, and companies in Hong Kong, Australia and Canada. He is a seasoned executive and has extensive management experience. He is currently a non-executive director of Cafe de Coral Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange and a non-executive director of WLS Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Hui holds a Bachelor Degree in Social Sciences from the University of Hong Kong and a Master Degree in Business Administration from the Brunel University in the United Kingdom.

Mr. Wong Che Keung, Richard, aged 61, is an independent non-executive director of the Company. Mr. Wong joined the Board in June 2000. Mr. Wong is the Honorary Consul of The Republic of Tunisia in Hong Kong and a fellow member of the Canadian Institute of Bankers. He is also the Chief Executive of Regency Investments & Management Co., Ltd. which engages in direct business investments both locally and overseas.

Mr. Tong Yee Yung, Joseph, aged 52, is an independent non-executive director of the Company. Mr. Tong joined the Board in May 2001. He graduated from Southern Illinois University in the USA with a Bachelor of Science degree and from the University of East Asia with a MBA. Mr. Tong has over 20 years of experience in corporate finance and management for different listed companies in Hong Kong. Currently, Mr. Tong is an executive director and partner of Kelston Holdings (Hong Kong) Limited.

Corporate Governance Report

The Company has always recognized the importance of transparency and accountability. With regard to its shareholders, it is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), which became effective on 1 January 2005 and in replacement of the Code of Best Practice, as its own code of corporate governance practices.

Accordingly, in the opinion of the directors, the Company has met the code provisions set out in the CG Code, save for a deviation in respect of communication with shareholders.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances.

The Board meets regularly and as and when required. During the Year, the Board held 35 meetings. Notice of board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The attendance of the directors at the board meetings was as follows:

Name of director	Number of attendance
Mr. Wong Kin Chi	25/35
Mr. Au Hoi Tsun, Peter	35/35
Mr. Sung Yan Wai, Petrus	34/35
Mr. Hui Tung Wah, Samuel	28/35
Mr. Wong Che Keung, Richard	25/35
Mr. Tong Yee Yung, Joseph	25/35
Mr. Shaw Wen Fei (resigned on 15 June 2006)	4/35
Mr. Sung Kai Hing, Simon (resigned on 11 January 2007)	29/35

Corporate Governance Report (Continued)

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's costs. The Board provides separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties, where necessary.

Appropriate insurance cover has been arranged in respect of any possible legal action against its directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are separate persons in order to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The Chairman, Mr. Wong Kin Chi, is responsible for the leadership and effective running of the board and the Chief Executive Officer, Mr. Au Hoi Tsun, Peter, is delegated with the authority to manage the business of the Group in all aspects effectively.

BOARD COMPOSITION

The Board comprises three Executive Directors, being Mr. Au Hoi Tsun, Peter, Mr. Sung Yan Wai, Petrus and Mr. Hui Tung Wah, Samuel and three Independent Non-Executive Directors, being Mr. Wong Che Keung, Richard, Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi (Chairman).

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition ensures that strong independence exists across the Board. The biographies of the Directors are set out in pages 8 to 9 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the three Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

Corporate Governance Report (Continued)

APPOINTMENTS, RE-ELECTION AND REMOVAL

All non-executive directors were appointed for a specific term of three years beginning from 15 June 2006 and were subject to re-election.

According to the private act of the Company enacted in 1991 (the “Act”), no Director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-Laws. As the Company is bound by the provisions of the Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the CG Code. Therefore, each of the Chairman of the Board and the Managing Director of the Company has respectively confirmed that he will voluntarily retire from his directorship at the forthcoming annual general meeting of the Company in order for the Company to comply with the CG Code, and being eligible for re-election, they offer themselves for re-election at the forthcoming annual general meeting.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. All of them are also members of audit and remuneration committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the “Model Code”) regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code.

Corporate Governance Report (Continued)

SUPPLY OF AND ACCESS TO INFORMATION

The Management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by the Management, each director has separate and independent access to the issuer's senior management to make further enquires if necessary.

All Directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee comprising the three Independent Non-Executive Directors. Its terms of reference are summarized as follows:

- (i) to make recommendations to the board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the board of the remuneration of non-executive directors;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- (iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

Corporate Governance Report (Continued)

For the year ended 31 December 2006, the Remuneration Committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company adopted a share option scheme in 2002 and our 77.04% Australian listed subsidiary, Omnitech Holdings Limited ("OHL") adopted its share option scheme in 2004. Such incentive schemes enable eligible persons to obtain an ownership interest in the Company and OHL and thus rewards those participants who contribute to the success of the Group's operations.

Details of the amount of Directors' emoluments are set out in note 8 to the financial statements and details of the Share Option Scheme of the Company and OHL is set out in the Report of the Directors and note 29 to the financial statements.

ACCOUNTABILITY AND AUDIT

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Board therefore continues to adopt the going concern approach in preparing the financial statements.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

INTERNAL CONTROLS

During the Year, the directors conducted a review of the effectiveness of the system of internal control of the Company which cover all material controls, including financial, operational and compliance controls and risks management functions. The findings will be provided to the Audit Committee and the external auditors for reference.

Corporate Governance Report (Continued)

AUDIT COMMITTEE

The Audit Committee currently comprises all three Independent Non-Executive Directors of the Company, Mr. Wong Che Keung, Richard as the Chairman and Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi as the members, who among themselves possess a wealth of management experience in the accounting profession, commercial and banking sectors.

Attendance at Audit Committee meetings

Name of audit committee members	Number of attendance
Mr. Wong Che Keung, Richard	3/3
Mr. Tong Yee Yung, Joseph	3/3
Mr. Wong Kin Chi	3/3

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

AUDITORS' REMUNERATION

During the Year, the remuneration paid to the Company's auditors, Messrs Moore Stephens was as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	1,031
Non-audit services	639
	<hr/>
	1,670

Corporate Governance Report (Continued)

COMMUNICATIONS WITH SHAREHOLDERS

In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the Chairman of that meeting.

The Managing Director of the Company attended the 2006 annual general meeting and was available to answer questions at the meeting.

VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance with Bye-Law 67 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) the chairman;
- (ii) at least three shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting;
- (iii) any shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the rights to vote at the meeting; or
- (iv) a shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company should ensure that votes cast are properly counted and recorded.

Corporate Governance Report (Continued)

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

- (i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

Report of the Directors

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the Year consisted of manufacture and sale of electronic components and products, contact and contactless smart card readers and related products, home furniture, trading of building materials and sundry products, property holding and investment holding.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 88. Special interim dividend of HK\$0.2 per share was paid during the Year (2005: Nil) and the Board does not recommend the payment of a final dividend in respect of the Year (2005: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2006 HK\$'000 (Note)	2005 HK\$'000 (Note)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Results					
Turnover	383,756	393,273	176,760	248,373	136,427
Profit/(loss) before taxation	(14,060)	(5,439)	8,983	12,947	(207,380)
Taxation	(324)	(969)	(340)	2,341	1,039
Profit/(loss) before minority interests	(14,384)	(6,408)	8,643	15,288	(206,341)
Minority interests	(16,272)	(13,383)	(1,468)	(4,429)	13,397
Net profit/(loss) attributable to shareholders	(30,656)	(19,791)	7,175	10,859	(192,944)

Report of the Directors (Continued)

Note: The results for the years ended 31 December 2005 and 2006 were presented according to continuing and discontinued operations in the financial statements pursuant to HKFRS 5. For details of discontinued operations, please refer to note 10 to the financial statements.

		31 December			
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Properties, plant and equipment	12,312	30,995	32,077	9,859	5,475
Investment properties	9,070	10,430	12,000	18,000	31,200
Long term investments	10,000	23,700	23,700	56,712	50,394
Interests in associates	59,717	50,689	64,828	48,400	33,058
Goodwill	–	21,767	21,767	10,197	–
Current assets	168,999	328,519	262,590	127,352	111,123
Total assets	260,098	466,100	416,962	270,520	231,250
Current liabilities	(83,759)	(187,491)	(156,409)	(63,437)	(68,130)
Long term interest bearing borrowings	(1,385)	(3,124)	(3,834)	–	–
Deferred tax liabilities	(17)	(17)	(44)	(85)	–
Minority interests	(36,050)	(74,084)	(63,310)	(37,808)	(31,070)
Total liabilities and minority interests	(121,211)	(264,716)	(223,597)	(101,330)	(99,200)
Net assets	138,887	201,384	193,365	169,190	132,050

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in note 2 to the financial statements.

PROPERTIES, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the properties, plant and equipment and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

Report of the Directors (Continued)

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the balance sheet date are set out in note 17 to the financial statements.

ASSOCIATES

Particulars of the Group's principal associates at the balance sheet date are set out in note 18 to the financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings at the balance sheet date are set out in note 26 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's share premium account, in the amount of HK\$116,230,000 (2005: HK\$116,230,000), was available to be distributed in the form of fully paid bonus shares. At 31 December 2006, the Company had contributed surplus and accumulated losses of HK\$125,376,000 and HK\$112,075,000, respectively (2005: HK\$125,376,000 and HK\$24,094,000, respectively). Details of movements in the distributable reserves of the Company are set out in note 30 to the financial statements.

Report of the Directors (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006:

- (i) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.
- (ii) the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Wong Kin Chi**

Au Hoi Tsun, Peter

Sung Yan Wai, Petrus

Hui Tung Wah, Samuel

Wong Che Keung, Richard**

Tong Yee Yung, Joseph**

Shaw Wen Fei* (resigned on 15 June 2006)

Sung Kai Hing, Simon (resigned on 11 January 2007)

* *Non-executive Director*

** *Independent non-executive Directors*

In accordance with Bye-Law 97 of the Company's Bye-Laws, Messrs. Sung Yan Wai, Petrus and Wong Che Keung, Richard will retire by rotation, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, Messrs. Wong Kin Chi (Chairman of the Board) and Au Hoi Tsun, Peter (Managing Director of the Company) will retire voluntarily, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors (Continued)

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2006, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Director	Capacity/ Nature of interests	Number of shares	Percentage of holding (%)
Au Hoi Tsun, Peter	Beneficial owner	517,500	0.34
Hui Tung Wah, Samuel	Beneficial owner	280,000	0.19
	Family interest (Note 1)	75,000	0.05
		355,000	0.24
Sung Kai Hing, Simon	Corporate (Notes 2 & 3)	6,695,850	4.45

Notes:

1. These 75,000 shares were jointly owned by Mr. Hui Tung Wah, Samuel and his spouse.
2. Out of these 6,695,850 shares, 5,674,200 shares were held by Capitalrise Group Limited, a corresponding interest of 80% and 20% of the issued share capital of which was beneficially owned by Mr. Sung Kai Hing, Simon and his spouse, respectively. The remaining 1,021,650 shares were held by Bloominvest Group Limited, the entire issued share capital of which was wholly owned by Mr. Sung Kai Hing, Simon.
3. Mr. Sung Kai Hing, Simon resigned as an executive director on 11 January 2007.

The interests of the Directors in the share option of the Company are separately disclosed under the heading "Share Option Scheme".

Report of the Directors (Continued)

Save as disclosed above, none of the Directors and Chief Executive of the Company and their associates had registered an interest or short positions in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' Interests and Short Positions in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age; or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A. The Company

The Company adopted a share option scheme (the "Scheme") at its general meeting held on 22 March 2002. Details of the Scheme are set out as follows:

1. *Summary of the Scheme*

The purpose of the Scheme is to enable the Company to grant options to employees, executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates, who at the discretion of the Board, have contributed to the Company or any of its subsidiaries as incentives and rewards for their contributions to the Company or such subsidiaries. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company must not exceed 10% of the shares in issue on the date of approval and adoption of the Scheme, i.e. 454,367,682 shares and 4,543,676 shares after share consolidation of the Company effective 2 December 2002. An ordinary resolution was passed at the special general meeting of the Company held on 19 May 2005 to refresh the 10% limit on the grant of options under the Scheme so that the maximum number of shares which may be issued after the refreshment is 10,029,276 shares, representing 6.67% of the total issued share capital as at the date of the annual report. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme(s) of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Report of the Directors (Continued)

The exercise price shall be determined by the Board save that the price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

There is no general requirement that an option must be held for any minimum period before it can be exercised, but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The Scheme is valid and effective for a period of 10 years after the date of adoption of the Scheme, which is until 21 March 2012.

Report of the Directors (Continued)

2. Outstanding options

There was 4,274,000 share options remained outstanding as of 31 December 2006. Details of the outstanding share options are as follows:

Name or category of participant	At 1 Jan 2006	Lapsed during the year	At 31 Dec 2006	Date of grant of share options	Exercise period	Exercise price HK\$	Total balance at 31 Dec 2006
Directors							
Wong Kin Chi	70,000	–	70,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	70,000
Au Hoi Tsun, Peter	540,000	–	540,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	840,000
	300,000	–	300,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Sung Yan Wai, Petrus	240,000	–	240,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	490,000
	250,000	–	250,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Hui Tung Wah, Samuel	800,000	–	800,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	800,000
Wong Che Keung, Richard	72,000	–	72,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	142,000
	70,000	–	70,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Tong Yee Yung, Joseph	72,000	–	72,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	142,000
	70,000	–	70,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Shaw Wen Fei (Note 1)	720,000	(720,000)	–	14/07/2003	15/07/2003 to 14/07/2008	0.95	–
	800,000	(800,000)	–	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Sung Kai Hing, Simon (Note 2)	800,000	–	800,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	800,000
Sub-Total:	4,804,000	(1,520,000)	3,284,000				3,284,000

Report of the Directors (Continued)

Name or category of participant	At 1 Jan 2006	Lapsed during the year	At 31 Dec 2006	Date of grant of share options	Exercise period	Exercise price HK\$	Total balance at 31 Dec 2006
Others							
Employees (other than Directors)	240,000	–	240,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	760,000
	4,020,000	(3,500,000)	520,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Other participants	900,000	(720,000)	180,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	230,000
	850,000	(800,000)	50,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Total	10,814,000	(6,540,000)	4,274,000				4,274,000

Notes:

1. Mr. Shaw Wen Fei resigned as a non-executive director on 15 June 2006.
2. Mr. Sung Kai Hing, Simon resigned as an executive director on 11 January 2007.
3. *Valuation of share options*
Details of the valuation are set out in note 29 to the financial statements.

B. Associated Corporations

Omnitech Holdings Limited

Omnitech Holdings Limited (“OHL”), 77.04% owned by the Company, adopted a new share option scheme at the special general meeting of the Company held on 20 May 2004 (the “OHL Scheme”).

1. *Summary of the OHL Scheme*

The purpose of the OHL Scheme is to enable OHL to grant options to any employee and his close relative of any member of the OHL group, who at the discretion of the OHL Board, have contributed to OHL or any of its subsidiaries as incentives and rewards for their contribution to OHL or such subsidiaries. The maximum number of shares which may be issued upon exercise of all options to be granted under the OHL Scheme and any other share option scheme(s) of OHL must not exceed 10% of the OHL shares in issue on the date of approval and adoption of the OHL Scheme, i.e.

Report of the Directors (Continued)

23,456,372 OHL shares and 2,345,637 OHL shares after share consolidation of OHL effective 18 August 2004. The total number of shares issued and which may fall to be issued and which may fall to be issued upon exercise of the options granted under the OHL Scheme and any other share option scheme(s) of OHL to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the OHL shares in issue as at the date of grant. Subject to the ASX Listing Rules, if the OHL Board determines to offer to grant options to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive directors of the Company.

The exercise price for an OHL share under the OHL Scheme shall be the higher of (a) the weighted average market price of the OHL shares sold on the ASX for the five business days immediately preceding the date of grant; and (b) the nominal value of an OHL share.

There is no general requirement that an option must be held for any minimum period before it can be exercised but OHL Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option the date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of OHL of A\$10.00 by way of consideration is received by OHL, such date must be on or before the 30th day after the option is offered to the relevant grantee. The OHL Scheme is valid and effective for a period of 5 years after the date of adoption of the OHL Scheme, which is until 19 May 2009.

Report of the Directors (Continued)

2. Outstanding options

Name or category of participant	At 1 Jan 2006	Lapsed during the year	At 31 Dec 2006	Date of grant of share options	Exercise period	Exercise price AUD	Total balance at 31 Dec 2006
Directors of the Company							
Au Hoi Tsun, Peter	200,000	–	200,000	18/05/2005	18/05/2005 to 18/05/2008	0.069	200,000
Sung Yan Wai, Petrus	75,000	–	75,000	18/05/2005	18/05/2005 to 18/05/2008	0.069	75,000
Total	275,000	–	275,000				275,000

Apart from the aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Directors or Chief Executive of the Company or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a significant beneficial interest in any material contract to which the Company, its holding companies or any of its subsidiaries was a party during the Year.

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2006, the following interests and short positions of 5% or more in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interests	Number of shares	Percentage of holding
Planet Adventure Limited	Beneficial owner	9,300,000	6.18%
Huen Wing Ming, Patrick	Corporate (Note 1)	9,450,000	6.28%
Huen Ng Sui Fong, Isabel	Family Interest (Note 2)	9,450,000	6.28%

Notes:

1. Planet Adventure Limited and Patova International Limited were wholly owned by Mr. Huen Wing Ming, Patrick who was deemed to be interested in 9,300,000 shares and 150,000 shares of the Company held by Planet Adventure Limited and Patova International Limited respectively under the SFO.
2. Mrs. Huen Ng Sui Fong, Isabel is the spouse of Mr. Huen Wing Ming, Patrick and was deemed to be interested in the shares of the Company in which Mr. Huen Wing Ming, Patrick was interested under the SFO.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which would fall to be disclosed to the Company pursuant to section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SHARES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Report of the Directors (Continued)

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the Year with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, save for a deviation in respect of communication with shareholders.

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting and be available to answer questions at the annual general meeting. However, the Chairman of the Board did not attend the 2006 annual general meeting and instead the Managing Director of the Company presided and attended the 2006 annual general meeting and was available there to answer questions.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

Moore Stephens retire and being eligible, offer themselves for re-appointment. A resolution for the reappointment of Moore Stephens as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Wong Kin Chi

Chairman

Hong Kong, 23 March 2007

Independent Auditors' Report

MOORE STEPHENS CERTIFIED PUBLIC ACCOUNTANTS

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30 Canton Road
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TO THE SHAREHOLDERS OF OMNICORP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Omnicorp Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 33 to 88, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditors' Report (Continued)

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens

Certified Public Accountants

Hong Kong, 23 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
CONTINUING OPERATIONS			
Turnover	3	198,413	166,750
Cost of sales		(176,243)	(147,071)
Gross profit		22,170	19,679
Other revenue		6,311	4,325
Distribution costs		(603)	(905)
Administrative expenses		(28,726)	(25,303)
Other operating expenses		(29,478)	(22,790)
LOSS FROM OPERATING ACTIVITIES	6	(30,326)	(24,994)
Finance costs	7	(8,705)	(6,058)
Share of results of associates		(30)	(391)
LOSS BEFORE TAXATION		(39,061)	(31,443)
Taxation	9	(288)	(272)
Loss for the year from continuing operations		(39,349)	(31,715)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	10	24,965	25,307
LOSS FOR THE YEAR		(14,384)	(6,408)
ATTRIBUTABLE TO:			
Equity holders of the Company	11, 30	(30,656)	(19,791)
Minority interests		16,272	13,383
		(14,384)	(6,408)
DIVIDEND	12	30,088	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– Continuing operations		(0.28) dollars	(0.23) dollars
– Discontinued operations		0.08 dollars	0.09 dollars
		(0.20) dollars	(0.14) dollars
Diluted			
– Continuing operations		N/A	N/A
– Discontinued operations		N/A	N/A

Consolidated Balance Sheet

31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Properties, plant and equipment	14	12,312	30,995
Investment property	15	9,070	10,430
Long term investments	16	10,000	23,700
Interests in associates	18	59,717	50,689
Goodwill	19	–	21,767
		91,099	137,581
CURRENT ASSETS			
Inventories	20	54,872	89,964
Trade and other receivables	21	61,987	145,421
Prepayments and deposits		1,324	2,214
Current tax recoverable		–	3,362
Listed investments	22	15,247	19,568
Cash and bank balances	23	35,569	67,990
		168,999	328,519
CURRENT LIABILITIES			
Due to related parties	24	–	26
Trade and other payables	25	27,721	65,433
Interest bearing bank borrowings	26	53,880	67,152
Other loan payable	27	–	30,000
Deposits received		1,888	22,929
Current tax payable		270	1,951
		83,759	187,491
NET CURRENT ASSETS			
		85,240	141,028
TOTAL ASSETS LESS CURRENT LIABILITIES			
		176,339	278,609
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	26	1,385	3,124
Deferred tax liabilities	28	17	17
		1,402	3,141
		174,937	275,468
EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS			
Share capital	29	1,504	1,504
Reserves	30	137,383	199,880
		138,887	201,384
MINORITY INTERESTS			
		36,050	74,084
		174,937	275,468

Au Hoi Tsun, Peter
Director

Sung Yan Wai, Petrus
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

Attributable to equity holders of the Company

	Share Capital HK\$'000	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	Minority Interests HK\$'000	Total Equity HK\$'000
1 January 2005	913	90,219	83,274	10,269	–	–	–	8,690	193,365	63,310	256,675
Loss for the year	–	–	–	–	–	–	–	(19,791)	(19,791)	13,383	(6,408)
Currency translation differences	–	–	–	428	–	–	–	–	428	748	1,176
Transfer	–	–	–	–	15	16	–	(31)	–	–	–
Employee share options	–	–	–	428	15	16	–	(19,822)	(19,363)	14,131	(5,232)
Movement for the year	–	–	–	–	–	–	1,015	–	1,015	–	1,015
Issue of new shares	591	27,104	–	–	–	–	–	–	27,695	–	27,695
Share issue expenses	–	(1,093)	–	–	–	–	–	–	(1,093)	–	(1,093)
Issue of new shares to minority shareholders	–	–	–	–	–	–	–	–	–	637	637
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(2,357)	(2,357)
Deemed disposal	–	–	–	–	–	–	–	–	–	(1,637)	(1,637)
31 December 2005 and 1 January 2006	1,504	116,230	83,274	10,697	(86)	(118)	1,015	(11,132)	201,384	74,084	275,468
Loss for the year	–	–	–	–	–	–	–	(30,656)	(30,656)	16,272	(14,384)
Currency translation differences	–	–	–	507	–	–	–	–	507	280	787
Movement for the year	–	–	–	507	–	–	–	(30,656)	(30,149)	16,552	(13,597)
Release on disposal of subsidiaries	–	–	–	–	–	118	–	–	118	–	118
Share options lapsed	–	–	–	(1,972)	86	–	–	–	(1,886)	(54,586)	(56,472)
Dividend paid	–	–	–	–	–	–	(492)	–	(492)	–	(492)
	–	–	–	–	–	–	–	(30,088)	(30,088)	–	(30,088)
31 December 2006	1,504	116,230	83,274	9,232	–	–	523	(71,876)	138,887	36,050	174,937

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
NET CASH USED IN OPERATIONS	31(a)	(10,319)	(27,594)
Taxes paid outside Hong Kong		(1,001)	(3,194)
Interest paid		(9,368)	(7,538)
NET CASH USED IN OPERATING ACTIVITIES		(20,688)	(38,326)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,296	1,082
Purchases of listed investments		–	(3,523)
Purchases of properties, plant and equipment		(2,008)	(10,039)
Loan to associate		(9,000)	–
Repayment of loan from an associate		–	3,821
Dividends paid to minority shareholders		–	(2,357)
Proceeds from disposals of:			
Properties, plant and equipment		66	3,168
Listed investments		3,892	–
Subsidiaries	31(b)	58,713	–
Increase in pledged time deposits and guarantee funds		(194)	(5,997)
Net cash generated from/(used in) investing activities		52,765	(13,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(30,088)	–
Proceeds from issue of new shares		–	27,695
Proceeds from subscriptions of share by minority shareholders		–	637
Share issue expenses		–	(1,093)
(Repayment of)/proceeds from other loan		(30,000)	15,000
(Repayment of)/proceeds from interest bearing bank borrowings		(4,108)	15,634
Net cash (used in)/generated from financing activities		(64,196)	57,873
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(32,119)	5,702
Cash and cash equivalents at beginning of year		38,314	32,325
Effect of exchange rate changes		778	287
Cash and cash equivalents at end of year		6,973	38,314
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	35,569	67,990
Pledged time deposits and guarantee funds		(22,479)	(22,285)
Bank overdrafts	26	(6,117)	(7,391)
		6,973	38,314

Balance Sheet

31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	126,147	220,095
CURRENT ASSETS			
Prepayments and deposits		218	218
Cash and bank balances		5,568	18
		5,786	236
CURRENT LIABILITIES			
Trade and other payables		375	300
NET CURRENT ASSETS / (LIABILITIES)		5,411	(64)
TOTAL ASSETS LESS CURRENT LIABILITIES		131,558	220,031
CAPITAL AND RESERVES			
Share capital	29	1,504	1,504
Reserves	30	130,054	218,527
		131,558	220,031

Au Hoi Tsun, Peter
Director

Sung Yan Wai, Petrus
Director

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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).

Notes to the Financial Statements (Continued)

31 December 2006

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%

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

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				Consolidated HK\$'000
	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	
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)

Notes to the Financial Statements (Continued)

31 December 2006

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2005

	Continuing operations			Discontinued operations				Consolidated HK\$'000
	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	
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)

Notes to the Financial Statements (Continued)

31 December 2006

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 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 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

Notes to the Financial Statements (Continued)

31 December 2006

4. SEGMENT INFORMATION (Continued)

(b) Geographical area

	Asia		Europe		United States of America		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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.

Notes to the Financial Statements (Continued)

31 December 2006

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	
		2006	2005
		HK\$'000	HK\$'000
	Notes		
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 employees as disclosed in note 8, is as follows:

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

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

7. FINANCE COSTS

	Group	
	2006 HK\$'000	2005 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:

	Fees HK\$'000	Other emoluments			Total HK\$'000
		Salaries and other benefits HK\$'000	Contributions to retirement schemes HK\$'000	Share-based payment 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

Notes to the Financial Statements (Continued)

31 December 2006

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK\$'000	Other emoluments			Total HK\$'000
		Salaries and other benefits HK\$'000	Contributions to retirement schemes HK\$'000	Share-based payment 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.

Notes to the Financial Statements (Continued)

31 December 2006

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 HK\$'000	2005 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 Number of employees	2005 Number of employees
HK\$500,001 to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	1	1

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

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 HK\$'000			2005 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

Notes to the Financial Statements (Continued)

31 December 2006

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).

Notes to the Financial Statements (Continued)

31 December 2006

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

The calculations of basic loss per share are based on:

	2006 HK\$'000	2005 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.

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

15. INVESTMENT PROPERTY

	Group	
	2006 HK\$'000	2005 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 HK\$'000	2005 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.

Notes to the Financial Statements (Continued)

31 December 2006

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK\$'000	2005 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

Notes to the Financial Statements (Continued)

31 December 2006

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		Principal activities
			2006	2005	
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.

Notes to the Financial Statements (Continued)

31 December 2006

18. INTERESTS IN ASSOCIATES

	Group	
	2006 HK\$'000	2005 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	–

Notes to the Financial Statements (Continued)

31 December 2006

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		Principal activities
			2006	2005	
PVP Limited	Ordinary	British Virgin Islands	A-share	A-share	Investment holding
			37.2%	37.2%	
			B-share	B-share	
			37.2%	37.2%	
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	—	—

Notes to the Financial Statements (Continued)

31 December 2006

19. GOODWILL

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

Notes to the Financial Statements (Continued)

31 December 2006

20. INVENTORIES

	Group	
	2006 HK\$'000	2005 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 HK\$'000	2005 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.

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

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 HK\$'000	2005 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.

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

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:

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

Notes to the Financial Statements (Continued)

31 December 2006

28. DEFERRED TAX LIABILITIES

	Group	
	2006 HK\$'000	2005 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 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 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.

Notes to the Financial Statements (Continued)

31 December 2006

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).

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2006 HK\$'000	2005 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)

Notes to the Financial Statements (Continued)

31 December 2006

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	—

Notes to the Financial Statements (Continued)

31 December 2006

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

Notes to the Financial Statements (Continued)

31 December 2006

33. COMMITMENTS

	Group	
	2006 HK\$'000	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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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.

Notes to the Financial Statements (Continued)

31 December 2006

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 °
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

° 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.