FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED
東 光 集 團 有 限 公 司*

(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)

Stock Code : 8150

2007
ANNUAL REPORT

* For identification purposes only

Characteristics of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Fast Systems Technology (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business	Office Unit No. 5, 9th Floor Grand City Plaza Nos. 1-17 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong
Executive Director	Liao Lien Shen, Chairman Liao Ko Ping, Managing Director Ng Ming Wah Fong Chi Ho
Independent non-executive Directors	Ha Tak Kong Yeung Mo Sheung Ann Lau Siu Hung Ricky
Compliance officer	Mr. Fong Chi Ho *FCCA, FCPA*
Company secretary	Mr. Fong Chi Ho *FCCA, FCPA*
Qualified accountant	Mr. Fong Chi Ho *FCCA, FCPA*
Authorised representatives	Mr. Liao Ko Ping Mr. Fong Chi Ho *FCCA, FCPA*
Audit Committee	Mr. Ha Tak Kong, Chairman Ms. Yeung Mo Sheung Ann Mr. Lau Siu Hung Ricky
Remuneration Committee	Mr. Ha Tak Kong, Chairman Ms. Yeung Mo Sheung Ann
Principal share registrar transfer office	Butterfield Fund Services (Bermuda) Ltd. Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Abacus Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	Cachet Certified Public Accountants Limited
Stock code	8150

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Fast Systems Technology (Holdings) Limited (the "Company") will be held at Unit No. 5, 9th Floor, Grand City Plaza, Nos. 1-17 Sai Lau Kok Road, Tsuen Wan, New Territories, Hong Kong on Tuesday, 22 April 2008 at 10:00 a.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 December 2007;

2. to re-elect retiring Directors.

3. to authorise the directors of the Company (the "Directors") to fix their remuneration;

4. to re-appoint the Company's auditors and to authorise the Directors to fix their remuneration.

By Order of the Board
Fast Systems Technology (Holdings) Limited
Fong Chi Ho
Company Secretary

Hong Kong, 28 March 2008

Head office and principal place of business in Hong Kong:
Office Unit No. 5, 9th Floor, Grand City Plaza
Nos. 1-17 Sai Lau Kok Road, Tsuen Wan
New Territories, Hong Kong

Members of the Board:
Liao Lien Shen, *Chairman*
Liao Ko Ping, *Managing Director*
Ng Ming Wah, *Executive Director*
Fong Chi Ho, *Executive Director*
Ha Tak Kong, *Independent Non-executive Director*
Yeung Mo Sheung Ann, *Independent Non-executive Director*
Lau Siu Hung Ricky, *Independent Non-executive Director*

Notice of Annual General Meeting

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The register of members of the Company will be closed from 18 April 2008 (Friday) to 22 April 2008 (Tuesday), both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong. Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 17 April 2008 (Thursday).

Chairman's Statement

The Group's loss reduced 18% to HK$3.7 million in 2007. Overall sales for sapphire watch crystal and ferrules increased by 40.5% from continuing operations in 2007.

Sales of sapphire watch crystal to the Swiss market increased by 63.9% to approximately HK$25.5 million, overall sales of sapphire watch crystal in 2007 increased by 49.0% to approximately HK$32.8 million as the Group focused its effort on higher profit margin orders.

During 2007, sales from the optoelectronic products division increased by 1.9% to approximately HK$4.9 million. The Group chose to work with some premium customers who were willing to pay higher price for quality products.

The Group incurred heavy losses over last few years. One of the major shareholders of the Company has undertaken to provide additional financial assistance to enable the Group to meet its daily operation need when necessary.

Finally, I would like to take this opportunity to thank our board of directors, shareholders, fellow directors, customers, and industry partners for their continued support and our employees for their hard work and dedication in the past year.

Liao Lien Shen
Chairman
Hong Kong, 20th March 2008

Financial review

Total turnover of the Group for the year ended 31 December 2007 amounted to HK$37,721,818, representing a 26.1% decrease from that of HK$51,044,070 generated in the year ended 31 December 2006, as the watch distribution division was discontinued in December 2006.

Turnover from Continuing Operations (i.e. sapphire watch crystals division and optoelectronic products division) for the year ended 31 December 2007 amounted to HK$37,721,818, representing a 40.5% increase from that of HK$26,854,774 generated for the year ended 31 December 2006, owing to the Company's successful business strategy in developing the specialised niche markets, which offers better price and less competition.

Sapphire watch crystals division

Turnover generated from Swiss customers increased to HK$25,494,381 for year ended 31 December 2007, representing a 63.9% increase from that of HK$15,558,271 generated from the year ended 31 December 2006. Sales to customers in Taiwan increased to HK$1,432,014 for year ended 31 December 2007, representing a 534.8% increase from that of HK$267,759 for the year ended 31 December 2006. Turnover from Hong Kong customers decreased to HK$5,691,341 for the year ended 31 December 2007, representing a 7.9% decrease from that of HK$6,178,720 generated for the year ended 31 December 2006.

The turnover of the sapphire watch crystals for the year ended 31 December 2007 increased by HK$10,774,397; cost of sales of the sapphire watch crystals during the same period increased to HK$29,889,904 from that of HK$19,340,425 in the year ended 31 December 2006.

Optoelectronics products division

Sales of ferrules was HK$4,942,671 for the year ended 31 December 2007, increased by HK$92,647 or 1.9% from that of HK$4,850,024 for the year ended 31 December 2006. Cost of sales for the corresponding periods were HK$3,746,915 and HK$4,513,361 respectively. The decrease of cost of sales in the year of 2007 was due to better cost control.

Other income and gains

Other income and gains for the year ended 31 December 2007 amounted to HK$3,222,907, representing 350.0% increase from that of HK$716,268 generated from the year ended 31 December 2006. Other payables and accruals amounted to HK$2,784,950 over-provided in previous years were written back in year 2007.

Selling and distribution costs, administrative and other operating expenses for Continuing Operations

Selling and distribution costs for the year ended 31 December 2007 amounted to HK$1,478,363. This represents an increase of HK$697,473 from that recorded for the year ended 31 December 2006. The increase in selling and distribution costs was a result of the increasing transportation costs and consumable tools incurred in 2007.

Total administrative expenses were HK$6,117,464 for the year ended 31 December 2007 and HK$5,701,881 for the year ended 31 December 2006. Increase in administrative expenses was mainly due to increase in staff cost in 2007.

Other operating expenses was HK$2,735,589 (2006: HK$1,171,154), representing an increase of HK$1,564,435. The increase was attributable to the increase in legal and professional fees.

Financial resources and liquidity

The Group's shareholders funds was reduced to HK$1,563,193 as at 31 December 2007 (2006: HK$4,047,092) due to the loss incurred in 2007. Current assets amounted to HK$17,651,828 as at 31 December 2007 (2006: HK$10,807,827), of which HK$5,162,188 (2006: HK$2,875,461) was cash and bank balances.

As at 31 December 2007, the Group's total borrowings amounted to HK$18,448,143 (2006: HK$7,198,671), of which HK$10,174,081 (2006: HK$6,000,000) were short-term borrowings repayable within one year. The short-term borrowings were secured by the Group's buildings together with the related land use rights with a net book value of HK$4,050,000 and HK$544,721 respectively and secured by the Group's pledged deposits of HK$3,704,400.

The Group's gearing ratios as at 31 December 2007 was 91.9% (2006: 79.3%). Gearing ratio is the net debt divided by the total capital plus net debt. Net debt includes trade payables, other payable and accruals, loan from a related company and interest-bearing bank loan, less cash and cash equivalents, and excludes discontinued operations. Total capital represents equity attributable to equity holders of the Company.

Given the current position of high gearing ratio and low shareholders' equity, the Company had secured undertaking from a director to provide additional financial assistance when necessary.

Foreign currency risk

During the year, the Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB"), Japanese Yen ("Yen"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD"). Approximately 90% (2006: 85 %) of the Group's sales costs are denominated in currencies other than the functional currency of the operating units making the sale, and almost 82% (2006: 98%) of costs are denominated in currencies other than the units' functional currency.

During the years ended 31 December 2007 and 2006, the exchange rate of USD, Yen and NTD were quite stable and the exchange rate of CHF, RMB and EUR were comparatively volatile. Approximately 52% (2006: 38%) of the Group's sales are denominated in these currencies.

As at 31 December 2007 and 2006, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

As of the date of this announcement, the Group has no material contingent liabilities.

Capital structure

There has been no material change in the capital structure of the Company for the year under review.

Employees

As at 31 December 2007, the Group had 217 employees. Employees were remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits included free accommodation at the Group's staff quarters in PRC and performance bonus. Total staff costs including directors' remuneration for 2007 was HK$6,541,438 (2006: HK$5,726,690).

Material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2007.

Segmental information

An analysis of the Group's performance for the year by principal activities and geographical segments is set out in note 4 to the financial statements above and further elaborated under "Financial Review" of this section.

BUSINESS REVIEW

The turnover of the sapphire watch crystals for the year ended 31 December 2007 increased by HK$10,774,397; cost of sales of the sapphire watch crystals during the same period increased to HK$29,889,904 for year ended 31 December 2007 from that of HK$19,340,425 in the year ended 31 December 2006. Gross profit margin for the division decreased to approximately 8.8% in the year ended 31 December 2007 from 12.1% in the year ended 31 December 2006. The decrease in gross profit margin was primarily attributable to increase in price of materials.

During 2007, the ferrules division generated sales of HK$4,942,671 (2006: HK$4,850,024).

PROSPECTS

The Board expects that the demand for synthetic sapphire watch crystals will remain stable for 2008.

Price for standard ferrules is still under pressure and management will continue to further develop the specialized ferrules niche market, which offers better price and less competition.

CORPORATE GOVERNANCE

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of Directors (the "Board") believes that good corporate governance is one of the areas that leads to success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has complied throughout the period under review with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules.

Directors' securities transaction

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2007.

Remuneration of directors

Remuneration committee which comprises two non-executive directors Mr. Ha Tak Kong and Ms. Yeung Mo Sheung, Ann has been established to make recommendation to the Board on the Company's policy and structure for all remuneration of Directors. Mr. Ha Tak Kong is the Chairman of the remuneration committee. The remuneration and benefits for 3 then executive directors amounted to approximately HK$618,274 in 2007.

For the year ended 31 December 2007, the Remuneration Committee held one meeting during which duties, roles and performance of the Executive Directors were reviewed. The Committee also made recommendation to the Board on the remuneration to the Directors.

The attendance records of individual Committee members at Remuneration Committee meeting held during the year are set out below:

Ha Tak Kong *(Chairman)* — 1/1
Yeung Mo Sheung, Ann — 1/1

Board of directors

The Board of the Company (the "Board") currently comprises seven Directors, of which four are executive directors and three are independent non-executive directors. The Board collectively oversee the management and operation of the Group and will meet regularly during the year to discuss the operation strategy and financial performance of the Group.

During the year 2007 and there after up to the date hereof, the Directors are as follows:

Executive Directors

Liao Lien Shen *(Chairman)*
Liao Ko Ping *(Chief Executive Officer)*
Ng Ming Wah (appointed on 25 February 2008)
Fong Chi Ho (appointed on 25 February 2008)
Liao Chin Te (resigned on 18 September 2007)

Independent Non-executive Directors

Ha Tak Kong (appointed on 18 September 2007)
Yeung Mo Sheung Ann (appointed on 11 September 2007)
Lau Siu Hung Ricky (appointed on 29 October 2007)
Chin Chang Ming (resigned on 18 September 2007)
Sun Hsi Chen (resigned on 11 September 2007)
Lam Ngai Ming (resigned on 29 October 2007)

All the independent non-executive directors have been appointed with no fixed terms of services but shall hold the offices until the next annual meeting of the Company and shall then be eligible for re-election in accordance with the bye-laws of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of their independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

The Board has four scheduled meetings at quarterly interval and meets as and when required. During the year ended 31 December 2007, the Board held 26 meetings.

The attendance of the Directors at the meetings held during the year ended 31 December 2007 is as follows:

Directors	Number of attendance
Liao Lien Shen	26/26
Liao Ko Ping	26/26
Liao Chin Te (resigned on 18 September 2007)	7/7
Chin Chang Ming (resigned on 18 September 2007)	7/7
Sun Hsi Chen (resigned on 11 September 2007)	6/6
Lam Ngai Ming (resigned on 29 October 2007)	13/13
Yeung Mo Sheung Ann (appointed on 11 September 2007)	20/20
Ha Tak Kong (appointed on 18 September 2007)	19/19
Lau Siu Hung Ricky (appointed on 29 October 2007)	13/13

Audit committee

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

Three independent non-executive directors, namely Mr. Chin Chang Ming, Ms. Sun Hsi Chen, and Mr. Lam Ngai Ming resigned on 18 September 2007, 11 September 2007 and 29 October 2007, respectively. A new audit committee was formed upon appointment of three new independent non-executive directors on 18 September 2007, 11 September 2007 and 29 October 2007, respectively, namely Mr. Ha Tak Kong, Ms. Yeung Mo Sheung Ann and Mr. Lau Siu Hung Ricky. The chairman of the audit committee is Mr. Ha Tak Kong.

The Company's financial statements for the year ended 31 December 2007 have been reviewed by the new audit committee. The new audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange, and disclosures have been fully made.

During the year ended 31 December 2007, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report and quarterly reports.

The attendance of the Directors at the meetings is as follows:

Directors	Number of attendance
Chin Chang Ming (resigned on 18 September 2007)	1/1
Sun Hsi Chen (resigned on 11 September 2007)	1/1
Lam Ngai Ming (resigned on 29 October 2007)	1/1
Ha Tak Kong (appointed on 18 September 2007)	3/3
Yeung Mo Sheung Ann (appointed on 11 September 2007)	3/3
Lau Siu Hung Ricky (appointed on 29 October 2007)	3/3

Auditors' remuneration

During the year, the remuneration paid/payable to the auditors of the Company is as follows:

	Fee paid/payable
	HK$'000
Audit services rendered	
— Annual audit	470
— Interim audit	280
Non-audit services rendered	50
	800

Chairman and chief executive officer

The Board has appointed Mr. Liao Lien Shen as the chairman and Mr. Liao Ko Ping as chief executive officer. Mr. Liao Ko Ping is the son of Mr. Liao Lien Shen. The roles of the chairman and the chief executive officer are segregated and not exercised by the same individual.

Respective responsibilities of directors and auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The Auditors are responsible to form an independent opinion based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Internal controls

The Board has overall responsibilities for the Group's system of internal control and for reviewing its effectiveness.

During the year, the Company has conducted reviews on the effectiveness of the internal control system as required by the Code Provisions. The Audit Committee has also reviewed with members of the management the scope, progress and results of the internal control review plan.

In addition, a firm of independent internal control advisors was appointed to conduct a review of the system of internal control of certain business cycles and to provide recommendations on areas of improvement. The report was reviewed by the Audit Committee during the year. Key recommendations have been implemented together with further improvements recommended to the Board to further enhance internal control policies, procedures and practices.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's for the year by principal activities and geographical segments is set out in note 4 to the financial statements.

Results

Details of the audited results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 22.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 24 and note 30 to the financial statements respectively.

Donations

The Group did not make any charitable donation during the year.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Distributable reserves

As at 31 December 2007 the Company's distributable reserves balance was Nil (2006: Nil).

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2007 are set out in note 18 to the financial statements.

Pre-emptive rights

No pre-emptive rights exists under the Company's articles of association or under the laws in the Bermuda.

Group financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 88.

Directors

Executive Directors

Mr. LIAO Lien Shen, aged 70, is the Chairman and one of the founders of the Group. He has over 20 years of experience in trading and manufacturing of wristwatches in Taiwan. During the period, he has gained extensive understanding of the watch manufacturing industry, especially in the watch crystal manufacturing sector. He is responsible for the Groups overall business planning and policy making.

Mr. LIAO Ko Ping, aged 45, is the managing Director and one of the founders of the Group. He is responsible for formulating and monitoring the Groups overall strategic plan and development. He is also in charge of the marketing of the Groups manufactured products and development of the Groups overseas sales. Prior to the establishment of the Group in September 1992, he had over 9 years of experience in trading and manufacturing of wristwatches in Taiwan. He is a son of Mr. Liao Lien Shen.

Mr. NG Ming Wah, aged 56, has over 20 years of experience in industrial management and sales co-ordination. His sales and marketing network is far-reaching especially in China. Mr. Ng had previously held various senior management positions in various business sectors including transportation, trading, telecommunication, software development in Hong Kong and China responsible for strategic planning, logistics, sales and marketing as well as operation control. Mr. NG was appointed as an executive director on 25 February 2008.

Mr. FONG Chi Ho, aged 38, has over 14 years of experience in company secretary, accounting, auditing and financial management. He is a fellow member of (i) The Association of Chartered Certified Accountants in the United Kingdom; (ii) the Hong Kong Institute of Companies Secretaries in Hong Kong; (iii) The Institute of Chartered Secretaries and Administrators in United Kingdom; (iv) The Taxation Institute of Hong Kong in Hong Kong; and (v) the Hong Kong Institute of Certified Public Accountants in Hong Kong. Mr. Fong is the company secretary, the compliance officer, the qualified accountant and the authorized representative of the Company. He was appointed as an executive director on 25 February 2008.

Independent non-executive Directors

Ms. YEUNG Mo Sheung, Ann, aged 43, holds a Bachelor degree of Retail Management with honours in United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998 and is presently a practicing solicitor and a partner of Messrs. Fung & Fung, Solicitors, a legal firm in Hong Kong. Ms. Yeung was appointed as an independent non-executive Director with effect from 11 September 2007.

Mr. HA Tak Kong, aged 39, received a bachelor degree in accounting from the University of Hong Kong in December 2002 and is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ha is working as an accounting manager in an import and export trading for more than 15 years. He was appointed as an independent non-executive Director with effect from 18 September 2007.

Mr. LAU Siu Hung, Ricky, aged 56, currently is a director of an accountant firm in Hong Kong. He has over 35 years experience in accounting, auditing, management and taxation works. He is a fellow member of The Institute of Financial Accountants of the United Kingdom, National Institute of Accountants of Australia and Society of Registered Financial Planners of Hong Kong. Mr Lau was appointed as an independent non-executive Director with effect from 29 October 2007.

Directors service contracts

Executive Directors (Mr. LAIO Lien Shen and Mr. LIAO Ko Ping) have service contracts with the Company for an initial fixed term of two years commencing on 16 July 2001 and will continue thereafter unless and until terminated by either party by not less than three months' prior written notice.

Executive Directors (Mr. NG Ming Wah and Mr. FONG Chi Ho) have service contracts with the Company. for an initial fixed term of one year commencing on 25 February 2008 and will continue thereafter unless and until terminated by either party by not less than one month prior written notice.

Save as disclosed here, none of the Directors who are 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 of compensation, other than statutory compensation.

Public float

From information publicly available to the Company and within the knowledge of the Directors, at least 20% of the Company's total issued share capital are held by the public at all times during the year.

Directors interests in contracts

No contracts of significance in relation to the Group's business to which the Company was a party and in which any of the Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

During the year, the Group entered into certain connected transactions, which also constitute related party transactions and are set out in notes 24 and 31 to the financial statements.

Outstanding share options

On 21 July 2001, the Company adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the section headed "Share Option Scheme" in appendix IV to the Company's prospectus dated 27 July 2001. Since the adoption of the Share Option Scheme, the Company has granted 60,000,000 share options under the Share Option Scheme to its directors and employees as follows:

	Options held at 1 January 2007	Options granted during the year	Options held at 31 December 2007	Exercise price *HK$*	Grant Date	Exercisable from	Exercisable until
Liao Ko Ping	30,000,000	—	30,000,000	0.158	6 June 2002	6 June 2005	6 June 2012
Liao Lien Shen	19,000,000	—	19,000,000	0.158	6 June 2002	6 June 2005	6 June 2012
Continuous contract employees	11,000,000	—	11,000,000	0.158	6 June 2002	6 June 2005	6 June 2012

Directors' and chief executive's interests in securities

As at 31 December 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares

		No. of Shares held					
Name of Director	*Note*	Personal Interests	Family Interests	Corporate Interests	Other Interest	Total	Percentage of issued share
Mr. Liao Lien Shen	*1*	—	—	80,000,000	—	80,000,000	13.34%
Mr. Liao Ko Ping	*2*	11,233,336	—	195,000,000	—	206,233,336	34.37%

Notes:

1. 80,000,000 Shares are held by Grandford Holdings Limited which is wholly owned by Mr. Liao Lien Shen.

2. 195,000,000 Shares are held by Dynasty Resources Limited which is wholly owned by Mr. Liao Ko Ping.

Save as disclosed above, as at 31 December 2007, none of the directors and chief executive of the Company has any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial shareholder's interests in securities

As at 31 December 2007, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Number of shares	Percentage of issued share
OMAX Technologies Inc.	Beneficial owner	74,776,666 *(Note 1)*	12.46%

Note:

1. By virtue of the provisions of the SFO, Mr. Huang Ching Fang, Mr. Huang Ching Yun, Mr. Huang Sheng Chia and Mr. Kodo Yasumasa, being the beneficial shareholders of OMAX Technologies Inc. who are collectively entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of OMAX Technologies Inc. are deemed to be interested in 74,776,666 shares representing approximately 12.46% of the entire issued share capital of the Company. Mr. Huang Ching Fang is also interested in 2,670,000 shares representing approximately 0.45% of the entire issued share capital of the Company which are held by Taiunion Investment Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Huang Ching Fang.

Save as disclosed above, as at 31 December 2007, the directors were not aware of any other person (other than the directors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT SHAREHOLDERS' INTERESTS IN SECURITIES

Other than the interests disclosed above in respect of the substantial shareholders, the directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules), as at 31 December 2007, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

Purchase, sale, redemption or cancellation of shares by the Company and/ or subsidiaries

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's shares during the year ended 31 December 2007.

Major customers and suppliers

The percentages of sales for the year generated from the Group's major customers are as follows:

—	the largest customer	21%
—	five largest customers	64%

The percentage of purchases for the year attributable to the Groups major suppliers are as follows:

—	the largest supplier	20%
—	five largest suppliers	53%

None of the directors, their associates or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Groups five largest customers and suppliers for the year ended 31 December 2007.

Competing interests

During the year ended 31 December 2007, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

Auditors

The financial statements for the year ended 31 December 2005 have been audited by CWCC Certified Public Accountants.

The financial statements for the years ended 31 December 2006 and 2007 have been audited by Cachet Certified Public Accountants Limited, who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On Behalf of the Board

Liao Lien Shen
Chairman

Hong Kong, 20 March 2008

Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司

To the shareholders of
Fast Systems Technology (Holdings) Limited
(Incorporated in the Cayman Islands and re-domiciled and continued on 22 January 2008 in Bermuda with limited liability)

We have audited the financial statements of Fast Systems Technology (Holdings) Limited set out on pages 22 to 87, which comprise the consolidated and Company balance sheets as at 31 December 2007, 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 ("HKICPA") 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. Our report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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.

Auditors' responsibility *(continued)*

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' judgement, 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.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2.1 to the financial statements regarding the liquidity of the Group and of the Company and the steps being taken by the directors to improve the position. As detailed in note 2.1 to the financial statements, the Group had net current liabilities of HK$2,387,390 and the Company had net current liabilities and deficiency in assets of HK$704,763 and HK$638,763, respectively as at 31 December 2007. The directors of the Company are currently exploring various options for providing additional equity funding to the Group. In addition, a director of the Company has indicated his willingness to continue financing the operations of the Group and the Company and a related company has agreed not to demand repayment of the amount due to it until the Group is in a position to do so. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the financial support given by the director and the related company of the Company. The financial statements do not include any adjustments that would result from the failure by the Group and the Company to obtain such future funding or financial support. Should the Group and the Company be unable to continue in business as a going concern, adjustments would have to be made which may have a consequential adjustment effect on the financial position of the Group and the Company as at 31 December 2007 and the Group's results for the year then ended. We consider that the fundamental uncertainty has been properly disclosed in the financial statements. Our report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the loss and cash flows of the Group 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.

Cachet Certified Public Accountants Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
20 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$	2006 HK$
CONTINUING OPERATIONS			
REVENUE	5	**37,721,818**	26,854,774
Cost of sales		**(33,636,819)**	(24,254,245)
Gross profit		**4,084,999**	2,600,529
Other income and gains	5	**3,222,907**	716,268
Selling and distribution costs		**(1,478,363)**	(780,890)
Administrative expenses		**(6,117,464)**	(5,701,881)
Other expenses		**(2,735,589)**	(1,171,154)
Finance costs	7	**(526,877)**	(643,932)
LOSS BEFORE TAX	6	**(3,550,387)**	(4,981,060)
Tax	10	**(198,032)**	—
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(3,748,419)**	(4,981,060)
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	11	**—**	408,260
LOSS FOR THE YEAR		**(3,748,419)**	(4,572,800)
Attributable to:			
Equity holders of the Company	12	**(3,748,419)**	(4,572,800)
DIVIDENDS	13	**Nil**	Nil
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic			
— For loss for the year		**(0.62 cents)**	(0.76 cents)
— For loss from continuing operations		**(0.62 cents)**	(0.83 cents)
Diluted			
— For loss for the year		**N/A**	N/A
— For loss from continuing operations		**N/A**	N/A

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$	2006 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	15	**11,679,924**	12,924,872
Assets under construction	16	**—**	11,407
Prepaid land lease payments	17	**544,721**	518,018
		12,224,645	13,454,297
CURRENT ASSETS			
Inventories	19	**2,822,078**	2,828,507
Trade receivables	20	**4,900,169**	3,844,394
Prepayments, deposits and other receivables	21	**320,061**	358,486
Tax recoverable		**742,932**	848,429
Pledged deposits	22	**3,704,400**	52,550
Cash and cash equivalents	22	**5,162,188**	2,875,461
		17,651,828	10,807,827
CURRENT LIABILITIES			
Trade payables	23	**4,846,628**	4,172,713
Other payables and accruals		**3,229,208**	7,065,139
Loan from a related company	24	**—**	1,198,671
Tax payable		**1,789,301**	1,778,509
Interest-bearing bank borrowings, secured	25	**10,174,081**	6,000,000
		20,039,218	20,215,032
NET CURRENT LIABILITIES		**(2,387,390)**	(9,407,205)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,837,255**	4,047,092
NON-CURRENT LIABILITIES			
Loan from a related company	24	**(8,274,062)**	—
Net assets		**1,563,193**	4,047,092
EQUITY			
Issued capital	28	**60,000,000**	60,000,000
Reserves	30	**(58,436,807)**	(55,952,908)
		1,563,193	4,047,092

Liao Lien Shen
Director

Liao Ko Ping
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Issued capital	Share premium reserve	Exchange reserve	Contributed surplus	Convertible note reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2006	60,000,000	1,796,747	751,508	14,607,973	210,438	(69,340,049)	8,026,617
Transfer on redemption of convertible note	—	—	—	—	(210,438)	210,438	—
Loss for the year	—	—	—	—	—	(4,572,800)	(4,572,800)
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	593,275	—	—	—	593,275
At 31 December 2006 and 1 January 2007	60,000,000	1,796,747	1,344,783	14,607,973	—	(73,702,411)	4,047,092
Loss for the year	—	—	—	—	—	(3,748,419)	(3,748,419)
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	1,264,520	—	—	—	1,264,520
At 31 December 2007	60,000,000	1,796,747	2,609,303	14,607,973	—	(77,450,830)	1,563,193

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$	2006 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(3,550,387)**	(4,981,060)
From discontinued operation		**—**	408,260
		(3,550,387)	(4,572,800)
Adjustments for:			
Depreciation of property, plant and equipment	15	**2,626,918**	2,453,875
Amortisation of prepaid land lease payments	17	**14,739**	13,647
Write-down of inventories to net realisable value		**—**	863,212
Write-back of impairment of trade receivables	5	**(372,494)**	(251,884)
Write-back of other payables and accruals	5	**(2,784,950)**	—
Finance costs		**526,877**	643,932
Interest income	5	**(10,115)**	(14,383)
		(3,549,412)	(864,401)
Decrease in inventories		**6,429**	353,458
(Increase)/decrease in trade receivables		**(683,281)**	6,127,213
Decrease in prepayments, deposits and other receivables		**38,425**	577,852
Increase/(decrease) in trade payables		**673,915**	(2,717,020)
(Decrease)/increase in other payables and accruals		**(1,050,981)**	2,878,478
Cash (used in)/generated from operations		**(4,564,905)**	6,355,580
Interest paid		**(526,877)**	(602,304)
Hong Kong profits tax refunded		**—**	79,795
Hong Kong profits tax paid		**(91,570)**	—
Overseas taxes paid		**(17,486)**	(132,323)
Net cash (outflow)/inflow from operating activities		**(5,200,838)**	5,700,748

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$	2006 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10,115**	14,383
Purchases of items of property, plant and equipment	15	**(364,232)**	(145,695)
Additions of assets under construction	16	**(60,691)**	(11,407)
(Increase)/decrease in pledged deposits		**(3,651,850)**	28,062
Net cash outflow from investing activities		**(4,066,658)**	(114,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in loan from a related company		**7,075,391**	(2,325,153)
Redemption of convertible bonds		**—**	(7,800,000)
New bank loans		**10,174,081**	6,000,000
Repayment of bank loans		**(6,000,000)**	—
Capital element of finance lease rental payments		**—**	(232,459)
Net cash inflow/(outflow) from financing activities		**11,249,472**	(4,357,612)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,981,976**	1,228,479
Cash and cash equivalents at beginning of year		**2,875,461**	1,359,292
Effect of foreign exchange rate changes, net		**304,751**	287,690
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,162,188**	2,875,461
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**5,162,188**	2,875,461

Balance Sheet

31 December 2007

	Notes	2007 HK$	2006 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**66,000**	8,810,068
CURRENT ASSETS			
Tax recoverable		**52,826**	79,795
Cash and cash equivalents	22	**10,967**	10,967
		63,793	90,762
CURRENT LIABILITIES			
Other payables and accruals		**122,250**	325,868
Due to a subsidiary	18	**646,306**	2,566,306
		768,556	2,892,174
NET CURRENT LIABILITIES		**(704,763)**	(2,801,412)
Net (liabilities)/assets		**(638,763)**	6,008,766
(DEFICIENCY IN ASSETS)/EQUITY			
Issued capital	28	**60,000,000**	60,000,000
Reserves	30	**(60,638,763)**	(53,991,234)
		(638,763)	6,008,766

Liao Lien Shen
Director

Liao Ko Ping
Director

1. Corporate information

Fast Systems Technology (Holdings) Limited was a limited liability company incorporated in the Cayman Islands on 18 January 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 10 August 2001. The registered office of the Company was located at P.O. box 309, Ugland House, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal business address of the Company is located at Unit 905, Grand City Plaza, Tsuen Wan, New Territories, Hong Kong.

Subsequent to the balance sheet date, pursuant to the special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The registered office of the Company has been changed to Clarendon House, 2 Church Street, Hamilton HM11 Bermuda.

The change of domicile has no impact on the continuity and the listing status of the Company.

The Company is an investment holding company. The Group's principal activities have not changed during the year and were involved in manufacture and sale of synthetic sapphire watch crystals and optoelectronic products.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold buildings, which have been measured at revalued amounts. These financial statements are presented in Hong Kong dollars.

Fundamental uncertainty

Despite the fact that the Group had net current liabilities of HK$2,387,390 and the Company had net current liabilities and deficiency in assets of HK$704,763 and HK$638,763, respectively as at 31 December 2007, these financial statements have been prepared on the basis that the Group and the Company will continue to operate as a going concern. The directors of the Company are currently exploring various options for providing additional equity funding to the Group. In addition, a director of the Group has indicated his willingness to continue financing the operations of the Group and the Company and a related company has agreed not to demand repayment of the amounts due to it until the Group and the Company is in a position to do so. The validity of the going concern basis depends upon future funding being available and the financial support given by the director and the related company.

2.1 Basis of preparation *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. 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.

2.2 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 1 Amendment — Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, polices and processes for managing capital.

(b) HKFRS 7 — Financial instruments: disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of the Group, comparative information has been included where appropriate.

2.2 Impact of new and revised Hong Kong Financial Reporting Standards *(continued)*

(c) HK (IFRIC)-Int 8 — Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees in accordance with the Group's share option scheme, the interpretation has had no impact on the financial statements.

(d) HK (IFRIC)-Int 9 — Reassessment of embedded derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The interpretation has had no impact on the financial statements.

(e) HK (IFRIC)-Int 10 — Interim financial reporting and impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial statements.

2.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	Operating Segments[1]
HKAS 23 (Revised)	Borrowing costs[1]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangement[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual period beginning on or after 1 January 2009
2 Effective for annual period beginning on or after 1 March 2007
3 Effective for annual period beginning on or after 1 July 2008
4 Effective for annual period beginning on or after 1 January 2008

2.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 8 which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on informational about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resource to the segment and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 had been revised to require capitalisation of borrowing costs when cost direct attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments need. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangement to recognised the consideration received or receivable in exchange for construction services as a financial asset and/or an intangible asset, based on the tem of the contractual arrangement. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyally award credits granted to customers as part of a sale transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sales. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee's Benefit, on the amount of a refund or a reduction in further contributions in relation to a defined benefit scheme that we can be recognised as an asset, in particular, when a minimum funding requirement exists.

2.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amend disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

2.4 Summary of significant accounting policies *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) 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, an individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than buildings and assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 Summary of significant accounting policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

Buildings are stated in the balance sheet at their valuated amount. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of 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 of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the shorter of the lease terms or 20 years
Leasehold improvements	25%
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets under construction

Assets under construction represent a factory building under construction and plant, machinery and equipment pending installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Asset under construction is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of significant accounting policies *(continued)*

Prepared land lease payments

All land in the People's Republic of China is stated-owned or collectively-owned and no individual land ownership rights exist. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepaid land lease payments under operating leases and are stated at cost and subsequently amortised on the straight line basis over the period of the rights.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classified as a discounted operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

— the post-tax profit or loss of the discontinued operations; and

— the post-tax gain or loss recognised on the measurement to the fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.4 Summary of significant accounting policies *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of significant accounting policies *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity.

2.4 Summary of significant accounting policies *(continued)*

Investments and other financial assets *(continued)*

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 Summary of significant accounting policies *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of significant accounting policies *(continued)*

Derecognition of financial assets *(continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including other payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 Summary of significant accounting policies *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 Summary of significant accounting policies *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 Summary of significant accounting policies *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the 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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Summary of significant accounting policies *(continued)*

Revenue recognition

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:

(a) from the 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 to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.4 Summary of significant accounting policies *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of the entity settled awards and has applied HKFRS 2 only to equity settled award granted after 7 November 2002 that had not been vested by 1 January 2005.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of significant accounting policies *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company, i.e. Hong Kong dollars, at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Assessment of impairment of non-current assets

The Group tests annually whether non-current assets have suffered any impairment based on their value in use or their net selling price.

3. Significant accounting judgements and estimates *(continued)*

Useful lives of property, plant & equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment for trade receivable and other receivables

Management of the Group determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market condition. Management reassess the impairment of trade and other receivables at the balances sheet date. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

Allowance for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials, work-in progress and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value

The fair value of receivables, bank balances, payables and accruals, current borrowings, provision and convertible notes are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

4. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the Synthetic Sapphire Watch Crystals segment is a supplier of watch crystals mainly for use in the manufacture of watch products;

(b) the Optoelectronic products segment is a supplier of optoelectronic products for use in internet cable;

(c) the Watch distribution segment comprises, principally, sales of the watch products (discontinued during the year ended 31 December 2006).

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There are no sales or other transactions among business or geographical segments.

4. Segment information *(continued)*

(a) Business segments

The following tables present revenue, results, expenditure and certain assets and liabilities information for the Group's business segments for the years ended 31 December 2007 and 2006.

	Continuing operation		Discontinued operation	
Year ended 31 December 2007	**Synthetic sapphire watch crystals** *HK$*	**Optoelectronic products** *HK$*	**Watch distribution** *HK$*	**Consolidated** *HK$*
Segment revenue	32,779,147	4,942,671	—	37,721,818
Segment results	2,219,378	(3,302,111)	—	(1,082,733)
Interest and other income				197,028
Unallocated expenses				(2,137,805)
Loss from operations				(3,023,510)
Finance costs				(526,877)
Loss before tax				(3,550,387)
Tax				(198,032)
Loss for the year				(3,748,419)
Segment assets	26,871,836	2,940,736	—	29,812,572
Unallocated assets				63,901
Total assets				29,876,473
Segment liabilities	18,410,195	1,177,054	—	19,587,249
Unallocated liabilities				8,726,031
Total liabilities				28,313,280
Capital expenditure	364,232	—	—	
Depreciation and amortisation	2,516,772	124,885	—	

4. Segment information *(continued)*

(a) Business segments *(continued)*

Year ended 31 December 2006	Continuing operation: Synthetic sapphire watch crystals HK$	Continuing operation: Optoelectronic products HK$	Discontinued operation: Watch distribution HK$	Consolidated HK$
Segment revenue	22,004,750	4,850,024	24,189,296	51,044,070
Segment results	(2,101,532)	(548,084)	408,260	(2,241,356)
Interest and other income				464,384
Unallocated expenses				(2,151,896)
Loss from operations				(3,928,868)
Finance costs				(643,932)
Loss before tax				(4,572,800)
Tax				—
Loss for the year				(4,572,800)
Segment assets	21,899,091	2,272,163	—	24,171,254
Unallocated assets				90,870
Total assets				24,262,124
Segment liabilities	9,794,416	2,566,357	—	12,360,773
Unallocated liabilities				7,854,259
Total liabilities				20,215,032
Capital expenditure	145,695	—	—	
Depreciation and amortisation	2,349,957	117,565	—	
Write-down of inventories to net realisable vale	863,212	—	—	

4. Segment information *(continued)*

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007	Europe	Hong Kong	Taiwan	The PRC	Consolidated
	HK$	HK$	HK$	HK$	HK$
Segment revenue:					
Sales to external customers	25,494,381	5,691,341	1,432,014	5,104,082	37,721,818
Attributable to a discontinued operation	—	—	—	—	—
Revenue from continuing operations	25,494,381	5,691,341	1,432,014	5,104,082	37,721,818
Other segment information:					
Segment assets	2,605,956	5,937,689	71,679	21,261,149	
Capital expenditure	—	20,354	—	343,878	

Year ended 31 December 2006	Europe	Hong Kong	Taiwan	The PRC	Consolidated
	HK$	HK$	HK$	HK$	HK$
Segment revenue:					
Sales to external customers	15,558,271	6,178,720	27,560,076	1,747,003	51,044,070
Attributable to a discontinued operation	—	—	(24,189,296)	—	(24,189,296)
Revenue from continuing operations	15,558,271	6,178,720	3,370,780	1,747,003	26,854,774
Other segment information:					
Segment assets	819,608	4,818,495	390,273	18,233,748	
Capital expenditure	—	10,390	—	135,305	

5. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and business tax during the year.

An analysis of revenue, other income and gains is as follows:

	Notes	2007 HK$	2006 HK$
Revenue			
Sale of goods		**37,721,818**	51,044,070
Attributable to continuing operations reported in the consolidated income statement		**37,721,818**	26,854,774
Attributable to a discontinued operation	*11*	**—**	24,189,296
		37,721,818	51,044,070
Other income and gains			
Write-back of other payables and accruals		**2,784,950**	—
Write-back of impairment of trade receivables		**372,494**	251,884
Bank interest income		**10,115**	14,383
Tooling and moulding fee		**—**	415,760
Others		**55,348**	34,241
		3,222,907	716,268
Total revenue, other income and gains		**40,944,725**	51,760,338

6. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	2007	2006
	HK$	*HK$*
Cost of sales:		
Continuing operations	**33,636,819**	24,254,245
Discontinued operation	**—**	21,981,036
	33,636,819	46,235,281
Amortisation of prepaid land lease payments	**14,739**	13,647
Depreciation of property, plant and equipment	**2,626,918**	2,453,875
Write-back of other payables and accruals	**(2,784,950)**	—
Write-back of impairment of trade receivables	**(372,494)**	(251,884)
Write-down of inventories to net realisable value (included in cost of sales)	**—**	863,212
Net exchange losses/(gains)	**245,588**	(372,939)
Research and development costs (included in cost of sales, excluding staff costs)	**226,678**	151,594
Minimum lease payments under operating leases:		
Land and buildings	**135,660**	131,423
Auditors' remuneration		
— Annual audit	**470,000**	470,000
— Interim audit	**280,000**	—
— Non-audit services rendered	**50,000**	—
	800,000	470,000
Staff costs (including directors' remuneration *(note 8)*):#		
Wages and salaries	**6,505,755**	5,480,604
Pension scheme contributions	**35,683**	246,086
	6,541,438	5,726,690

Of the total staff costs, HK$985,150 (2006: HK$654,210) was attributed to research and development activities of the Group.

7. Finance costs

	2007	2006
	HK$	*HK$*
Interest on:		
Bank loans wholly repayable within five years	**450,064**	118,106
Loan from a related company	**76,813**	223,000
Convertible notes	**—**	275,038
Finance leases	**—**	27,788
	526,877	643,932

8. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2007	2006
	HK$	*HK$*
Fees	**371,441**	140,000
Other emoluments:		
Salaries, allowances and benefits in kind	**606,274**	523,200
Pension scheme contributions	**12,000**	12,000
	618,274	535,200
	989,715	675,200

8. Directors' remuneration *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$	*HK$*
Mr. Chin Chang Ming *(note (a))*	**78,000**	40,000
Ms. Sun Hsi Chen *(note (b))*	**80,000**	40,000
Mr. Lam Ngai Ming *(note (c))*	**125,000**	60,000
Ms Yeung Mo Sheung, Ann *(note (d))*	**37,333**	—
Mr. Ha Tak Kong *(note (e))*	**34,334**	—
Mr. Lau Siu Hung, Ricky *(note (f))*	**16,774**	—
	371,441	140,000

Note (a): Resigned on 18 September 2007
Note (b): Resigned on 11 September 2007
Note (c): Resigned on 29 October 2007
Note (d): Appointed on 11 September 2007
Note (e): Appointed on 18 September 2007
Note (f): Appointed on 29 October 2007

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. Directors' remuneration *(continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2007						
Executive directors:						
Mr. Liao Lien Shen	—	261,600	—	—	—	261,600
Mr. Liao Ko Ping	—	344,674	—	—	12,000	356,674
Mr. Liao Chin Te *(note (i))*	—	—	—	—	—	—
Mr. Ng Ming Wah *(note (ii))*	—	—	—	—	—	—
Mr. Fong Chi Ho *(note (ii))*	—	—	—	—	—	—
	—	606,274	—	—	12,000	618,274
Year ended 31 December 2006						
Executive directors:						
Mr. Liao Lien Shen	—	261,600	—	—	—	261,600
Mr. Liao Ko Ping	—	261,600	—	—	12,000	273,600
Mr. Liao Chin Te	—	—	—	—	—	—
	—	523,200	—	—	12,000	535,200

Note i: Resigned on 18 September 2007
Note ii: Appointed on 25 February 2008

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2006: Nil).

9. Five highest paid employees

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees for the year are as follows:

	2007	2006
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,207,474**	684,000
Pension scheme contributions	**32,610**	21,600
	1,240,084	705,600

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**3**	3

10. Tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No profits tax has not been provided for the year ended 31 December 2006 as the Group did not generate any assessable profits arising in Hong Kong or elsewhere.

	2007	2006
	HK$	*HK$*
Group:		
Current tax:		
Hong Kong profits tax in respect of under-provision in previous years	118,539	—
Other regions in the PRC	79,493	—
	198,032	—
Deferred tax *(note 27)*	—	—
Tax charge	198,032	—

10. Tax *(continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2007		**2006**	
	HK$	%	***HK$***	%
Loss before tax	**(3,550,387)**		**(4,572,800)**	
Tax at the average tax rate of 18.5% (2006: 17.3%)	**(656,030)**	18.5	**(790,853)**	17.3
Income not taxable	**(860,141)**	24.2	**(68,585)**	1.5
Expenses not deductible for tax	**327,801**	(9.2)	**179,332**	(3.9)
Under-provision in previous years	**118,539**	(3.3)	**—**	—
Tax losses utilised from previous periods	**(928,796)**	26.2	**—**	—
Tax benefit not recognised	**2,196,659**	(61.9)	**680,106**	(14.9)
Tax charge	**198,032**	(5.5)	**—**	N/A
Tax charge attributable to discontinued operation	**—**	—	**—**	—
Tax charge attributable to continuing operation	**198,032**	(5.5)	**—**	N/A

The average tax rates for each of the years represent the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of loss before taxation and the relevant statutory rates.

11. Discontinued operation

During the year ended 31 December 2006, the Group ceased its watch distribution business in Taiwan.

The results of watch distribution business for the year were as follows:

	2007	2006
	HK$	*HK$*
Revenue *(note 5)*	—	24,189,296
Cost of sales	—	(21,981,036)
Gross profit	—	2,208,260
Other expenses	—	(1,800,000)
Profit before tax from the discontinued operation	—	408,260
Tax	—	—
Profit for the year from the discontinued operation	—	408,260

No assets and liabilities of the watch distribution business were classified as held for sale at the each of balance sheet dates.

12. Loss attributable to equity holders of the Company

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2007 includes a loss of HK$6,647,529 (note 30) (2006: HK$4,548,331) which has been dealt with in the financial statements of the Company.

13. Dividends

The Directors do not recommend the payment of any dividends for the year ended 31 December 2007 (2006: Nil).

14. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the year.

A diluted loss per share for the year has not been disclosed as the share options outstanding had an anti-dilutive effect on the basic loss per share for the years.

15. Property, plant and equipment

	Buildings	Leasehold improvements	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2007						
At 1 January 2007:						
Cost or valuation	4,500,000	173,665	83,913,970	3,227,138	377,950	92,192,723
Accumulated depreciation	(225,000)	(65,874)	(75,585,418)	(3,033,861)	(357,698)	(79,267,851)
Net carrying amount	4,275,000	107,791	8,328,552	193,277	20,252	12,924,872
At 1 January 2007, net of accumulated depreciation	4,275,000	107,791	8,328,552	193,277	20,252	12,924,872
Additions	—	—	46,008	32,988	285,236	364,232
Depreciation provided during the year	(225,000)	—	(2,130,124)	(178,613)	(93,181)	(2,626,918)
Transfers from assets under construction *(note 16)*	—	—	73,011	—	—	73,011
Exchange realignment	—	8,623	918,814	15,670	1,620	944,727
At 31 December 2007, net of accumulated depreciation	4,050,000	116,414	7,236,261	63,322	213,927	11,679,924
At 31 December 2007:						
Cost or valuation	4,500,000	173,665	84,032,989	3,260,126	663,186	92,629,966
Accumulated depreciation	(450,000)	(57,251)	(76,796,728)	(3,196,804)	(449,259)	(80,950,042)
Net carrying amount	4,050,000	116,414	7,236,261	63,322	213,927	11,679,924
Analysis of cost or valuation:						
At cost	—	173,665	84,032,989	3,260,126	663,186	88,129,966
At valuation	4,500,000	—	—	—	—	4,500,000
	4,500,000	173,665	84,032,989	3,260,126	663,186	92,629,966

15. Property, plant and equipment *(continued)*

	Buildings HK$	Leasehold improvements HK$	Plant and machinery HK$	Furniture fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2006						
At 1 January 2006:						
Cost or valuation	4,500,000	60,202	80,784,687	3,111,133	363,413	88,819,435
Accumulated depreciation	—	(60,201)	(70,780,680)	(2,725,267)	(321,030)	(73,887,178)
Net carrying amount	4,500,000	1	10,004,007	385,866	42,383	14,932,257
At 1 January 2006, net of accumulated depreciation	4,500,000	1	10,004,007	385,866	42,383	14,932,257
Additions	—	113,463	32,232	—	—	145,695
Depreciation provided during the year	(225,000)	(5,673)	(1,991,358)	(208,017)	(23,827)	(2,453,875)
Exchange realignment	—	—	283,671	15,428	1,696	300,795
At 31 December 2006, net of accumulated depreciation	4,275,000	107,791	8,328,552	193,277	20,252	12,924,872
At 31 December 2006:						
Cost or valuation	4,500,000	173,665	83,913,970	3,227,138	377,950	92,192,723
Accumulated depreciation	(225,000)	(65,874)	(75,585,418)	(3,033,861)	(357,698)	(79,267,851)
Net carrying amount	4,275,000	107,791	8,328,552	193,277	20,252	12,924,872
Analysis of cost or valuation:						
At cost	—	173,665	83,913,970	3,227,138	377,950	87,692,723
At valuation	4,500,000	—	—	—	—	4,500,000
	4,500,000	173,665	83,913,970	3,227,138	377,950	92,192,723

15. Property, plant and equipment *(continued)*

The Group's buildings are located in the PRC under medium lease terms.

The Group's buildings were stated at HK$4,500,000 based on a valuation carried out by an independent firm of professional valuer, Malcolm & Associates Appraisal Limited, at 31 December 2005 on the depreciated replacement cost approach basis.

The carrying amount of the Group's buildings would have been HK$4,164,152 (2006: HK$4,378,789) had they been stated at cost less accumulated depreciation.

At 31 December 2007, the Group's buildings together with the related land use rights (note 17) with an aggregate net book values of HK$4,050,000 (2006: HK$4,275,000) and HK$544,721 (2006: HK$518,018) respectively were pledged as security to secure bank loans (note 25).

16. Assets under construction

The Group:

	Plant and machinery
	HK$
Cost:	
At 1 January 2006	—
Additions	11,407
At 31 December 2006 and 1 January 2007	11,407
Additions	60,691
Exchange realignment	913
Transfers to property, plant and equipment *(note 15)*	(73,011)
At 31 December 2007	—

17. Prepaid land lease payments

The Group's prepaid lease payments represented its interest in land use rights and their net carrying value are analysed as follows:

	Group	
	2007	2006
	HK$	*HK$*
Carrying amount at 1 January	**518,018**	511,216
Amortisation during the year	**(14,739)**	(13,647)
Exchange realignment	**41,442**	20,449
Carrying amount at 31 December	**544,721**	518,018

The Group's land use rights are related to a piece of land situated in the PRC and are held under medium term leases that are to be expired on 14 October 2043.

At 31 December 2007, the Group's land use rights together with the buildings (note 15) with net book values of HK$544,721 (2006: HK$518,018) and HK$4,050,000 (2006: HK$4,275,000) respectively were pledged as security to secure bank loans (note 25).

18. Interests in subsidiaries

	Company	
	2007	2006
	HK$	*HK$*
Unlisted shares, at cost	**10,392,027**	10,392,027
Amounts due from subsidiaries	**51,590,681**	54,566,309
	61,982,708	64,958,226
Impairment	**(61,916,708)**	(56,148,158)
	66,000	8,810,068
Amount due to a subsidiary	**(646,306)**	(2,566,306)
	(580,306)	6,243,762

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

18. Interests in subsidiaries *(continued)*

Particulars of the subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Light (Holdings) Limited	The British Virgin Islands ("the BVI")	HK$25,000,000	100%	—	Investing holding
Oriental Light Industries Limited	Hong Kong	HK$1,000,000	—	100%	Investment holding and trading of synthetic sapphire watch crystals
Oriental Light (Fuqing) Company Limited*	The PRC#	HK$27,970,000 (2006: HK$35,500,000)	—	100%	Manufacturing of synthetic sapphire watch crystals
Fast Systems Limited	BVI	US$1	—	100%	Trading of synthetic sapphire watch crystals and distribution of watches
Fast Systems Limited	Hong Kong	HK$2	—	100%	Inactive
Orient Rise International Limited@	BVI	UD$1		100%	Inactive
Principle Industries Limited	BVI	US$1	—	100%	Investment holding
Superjet Technologies Limited	Hong Kong	HK$2	—	100%	Investment holding and trading of ferrules
Fujian Superjet Technologies Company Limited*	The PRC#	US$7,100,000	—	100%	Manufacturing and trading of ferrules
福清連誠精密加工有限公司*@	The PRC#	HK$7,530,000	—	100%	Property holding

The companies are wholly foreign owned enterprises in the PRC.

* Not audited by Cachet Certified Public Accountants Limited.

@ Orient Rise International Limited was incorporated in the BVI with limited liability during the year. 福清連誠精密加工有限公司 was established in the PRC with limited liability during the year.

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

19. Inventories

	Group	
	2007	2006
	HK$	*HK$*
Raw materials	**277,354**	408,956
Work in progress	**160,622**	1,079,998
Finished goods	**2,384,102**	1,339,553
	2,822,078	2,828,507

At 31 December 2007, the carrying amount of inventories that are carried at net realisable value amounted to Nil (2006: HK$1,402,107).

20. Trade receivables

	Group	
	2007	2006
	HK$	*HK$*
Trade receivables	**5,822,395**	4,766,620
Impairment	**(922,226)**	(922,226)
	4,900,169	3,844,394

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trading receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group's terms on credit sales primarily range from 30 to 120 days.

20. Trade receivables *(continued)*

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$	*HK$*
Current	**2,241,187**	1,620,451
31 — 60 days	**2,242,919**	1,020,425
61 — 90 days	**246,389**	614,145
Over 90 days	**169,674**	589,373
	4,900,169	3,844,394

The aged analysis of the trade receivables that are not (or neither individually nor collectively) considered to be impaired is as follows:

	Group	
	2007	2006
	HK$	*HK$*
Neither past due nor impaired	**2,559,625**	2,048,927
Less than 1 month past due	**2,173,669**	1,385,508
1 to 3 months (or other appropriate time bands) past due	**112,700**	286,175
Over 90 days	**54,175**	123,784
	4,900,169	3,844,394

20. Trade receivables *(continued)*

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. Prepayments, deposits and other receivable

	2007	2006
	HK$	*HK$*
Prepayments	**61,422**	293,622
Deposits and other receivables	**258,639**	64,864
	320,061	358,486

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. Cash and cash equivalents and pledged deposits

	2007	2006
	HK$	*HK$*
Cash and bank balances	**5,162,188**	2,875,461
Time deposits	**3,704,400**	52,550
	8,866,588	2,928,011
Less: Pledged time deposits:		
Pledged for interest bearing		
bank borrowings *(note 25)*	**(3,704,400)**	(52,550)
Cash and cash equivalents	**5,162,188**	2,875,461

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,691,071 (2006: HK$1,358,032). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$	*HK$*
Current	**1,385,876**	1,787,654
31 — 60 days	**1,014,386**	597,998
61 — 90 days	**—**	678,379
Over 90 days	**2,446,366**	1,108,682
	4,846,628	4,172,713

The trade payables are non-interest-bearing and are normally settled on 60 day terms.

24. Loan from a related company

The loan from a related company was unsecured and borne interest at 8.25% per annum.

The loan was originally repayable by various monthly instalments up to January 2015 and was amended during the year ended 31 December 2006 to be repayable on demand.

Pursuant to the loan agreement dated 15 June 2007 entered into between the Company and the related company, the terms of the loan has been further amended. The loan is unsecured, interest-free and repayable on 15 June 2009. The related company has further agreed not to demand the repayment of the loan upon its maturity, i.e. 15 June 2009, until the Group is in a position to do so.

25. Interest bearing bank borrowings

	Effective interest rate (%)	**Maturity**	**2007** *HK$*	2006 *HK$*
Bank loans — secured				
Loan 1 *(note (i))*	7.29%	23/10/2008	**6,480,000**	6,000,000
Loan 2 *(note (ii))*	6.10%	06/11/2008	**3,210,984**	—
Loan 3 *(note (iii))*	6.12%	05/11/2008	**483,097**	—
			10,174,081	6,000,000
Analysed into:				
Secured bank loans repayable:				
Within one year or on demand			**10,174,081**	6,000,000
In the second to fifth years, inclusive			**—**	—
After the fifth year			**—**	—
Total			**10,174,081**	6,000,000
Current portion			**(10,174,081)**	(6,000,000)
Non-current portion			**—**	—

Note (i): Pursuant to a loan agreement dated on 29 September 2007, the loan is secured by the buildings (note 15) and land use rights (note 17) of the Group.

Note (ii): Pursuant to a loan agreement dated on 6 November 2007, the loan is secured by certain time deposits (note 22).

Note (iii): Pursuant to a loan agreement dated on 5 November 2007, the loan is secured by certain time deposits (note 22).

26. Convertible note

On 2 January 2004, the Company issued a convertible note of US$1 million (equivalent to approximately HK$7.8 million) to Shuttle Inc., an independent third party. The convertible note bears interest at 6% per annum which is payable quarterly in arrear from the issue date of 2 January 2004 to the maturity date of 30 June 2006. The convertible note is guaranteed by the Company and jointly guaranteed by directors, Mr. Liao Lien Shen and Mr. Liao Ko Ping.

The holder of the convertible note is entitled to convert in full into 78,000,000 ordinary shares of the Company at any time before the maturity date at a conversion price of HK$0.10 per ordinary share. The proceeds of HK$7.8 million from the issue of the convertible note were used as working capital of the Group. Details of the transaction and the convertible note are set out in the Company's announcement dated 29 April 2004.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

	Group	
	2007	2006
	HK$	*HK$*
Liability component at the beginning of the year	—	7,758,372
Interest charged	—	275,038
Interest paid	—	(233,410)
Redemption of convertible note	—	(7,800,000)
Liability component at the end of the year	—	—

The convertible note had been fully repaid upon its maturity on 30 June 2006.

27. Deferred tax

At 31 December 2007, the Group has unused tax losses of approximately HK$26,006,000 (2006: HK$19,073,000) available for offset against future profits. The unrecognised tax losses of approximately HK$22,869,000 (2006: HK$15,524,000) may be carried forward indefinitely. During the year, no unrecognised tax losses has expired. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2007, the Group has deductible temporary differences of approximately HK$31,135,000 (2006: HK$27,730,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

No provision for deferred taxation has been recognised in the financial statements of the Company as the amount involved is insignificant.

28. Share capital

	2007	2006
	HK$	*HK$*
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000,000**	1,000,000,000
Issued and fully paid:		
600,000,000 ordinary shares of HK$0.10 each	**60,000,000**	60,000,000

29. Share option scheme

By a written resolution of its then sole shareholder of the Company passed on 21 July 2001, the Share Option Scheme was approved and adopted.

Share options are granted to any full-time executive director or full-time employee of the Group at the directors' discretion at price determined by the board of the directors, being not less than the highest of the closing price of share of grant and the average closing price of the share of the Company as stated in the daily quotation sheet ('Quotation sheet") of GEM on the date of grant and the average closing price of the share of the Company as stated in the quotation sheets for the 5 business days immediately preceding the date of grant and nominal value of a share of the Company.

29. Share option scheme *(continued)*

The maximum number of shares of the Company in respect of which share options may be granted under the Share Option Scheme and any other Schemes of the Company must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time. The total number of shares of the Company available for issue under share options which may be granted under the Share Option Schemes and any other schemes must not, in aggregate, exceed 60,000,000 shares, representing 10% of the shares in issue as at the date of this report unless shareholders' approval has been obtained.

The share options may be exercised in accordance with terms of the Share Option Scheme at any time during the period of not less than 3 years and in any event not more than 10 years from the date of the grant of the option.

The number of share options outstanding during the year is as follows:

	Number of options	
	2007	2006
At the beginning and the end of year	**60,000,000**	60,000,000

The share options outstanding at the balance sheet date have the following terms:

				Number of options	
Category	**Date of grant**	**Expiry date**	**Exercise price** *HK$*	**2007**	2006
Directors	6 June 2002	6 June 2012	0.158	**49,000,000**	49,000,000
Employees	6 June 2002	6 June 2012	0.158	**11,000,000**	11,000,000
				60,000,000	60,000,000

No share options were granted, exercised or cancelled during the year.

30. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 5 of the financial statements.

The contributed surplus of the Group represents the difference between the consolidated net assets of value of Oriental Light (Holdings) Limited on 31 December 2000, when its entire issued share capital was acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company's shares on 10 August 2001, over the nominal value of the Company's shares issued in exchange therefore.

(b) Company

	Share premium	Convertible note reserves	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 January 2006	1,796,747	210,438	(51,450,088)	(49,442,903)
Transfer on redemption of convertible notes	—	(210,438)	201,438	—
Loss for the year	—	—	(4,548,331)	(4,548,331)
At 31 December 2006 and 1 January 2007	1,796,747	—	(55,787,981)	(53,991,234)
Loss for the year	—	—	(6,647,529)	(6,647,529)
At 31 December 2007	1,796,747	—	(62,435,510)	(60,638,763)

The Company has no reserves available for distribution as at 31 December 2007 (2006: Nil).

31. Related party transactions

Apart from the related party transactions as disclosed in note 24 to the financial statements, the Group entered into the following transactions with related parties during the year.

(a) In the previous year, the directors, Mr. Liao Lien Shen and Mr. Liao Ko Ping, provided a limited joint guarantee to a subsidiary of the Company to guarantee for the general banking facility of HK$3,900,000. The banking facility had been expired and there was no outstanding guarantee as at 31 December 2006.

(b) In the previous year, Mr. Liao Ko Ping also provided an unlimited guarantee to a bank to secure general banking facilities granted to a subsidiary. The banking facilities had been expired and there was no outstanding guarantee as at 31 December 2006.

(c) During the year ended 31 December 2007 and 2006, a related company provided the trademarks and the distribution channel of several watches brands to a subsidiary of the Company for watch distribution at nil consideration. The directors of the Company, Mr. Liao Lien Shen and Mr. Liao Ko Ping, are the beneficial owners and directors of the related company.

(d) Interest expense was charged by the related company during the year arisen from its loan to the Group, further details of which, including the terms, are disclosed in notes 7 and 24 to the financial statements respectively.

32. Operating lease arrangements

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for a term of two years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2007	2006
	HK$	*HK$*
Within one year	**67,830**	135,660
In the second to fifth year inclusive	**—**	67,830
	67,830	203,490

33. Contingent liabilities

The Group and the Company did not have material contingent liabilities as at 31 December 2007 (2006: Nil).

34. Significant post balance sheet events

Subsequent to the balance sheet date, pursuant to the special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008.

Save as disclosed above, the Group and the Company did not have other significant subsequent events took place subsequent to the balance sheet date.

35. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2007

Financial assets

	Group					
	Financial assets at fair value through profit and loss					
	— designated as such upon initial recognition	— held for trading	Held to maturity investments	Loans and receivables	Available for sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Trade receivable *(note 20)*	—	—	—	4,900,169	—	4,900,169
Financial assets included in prepayments, deposits and other receivables *(note 21)*	—	—	—	320,061	—	320,061
Pledged deposits *(note 22)*	—	—	—	3,704,400	—	3,704,400
Cash and cash equivalents *(note 22)*	—	—	—	5,162,188	—	5,162,188
	—	—	—	14,086,818	—	14,086,818

35. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Financial liabilities

	Group			
	Financial liabilities at fair value though profit and loss			
	— designated as such upon initial recognition	— held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
Trade payables *(note 23)*	—	—	4,846,628	4,846,628
Financial liabilities included in other payables and accruals	—	—	3,229,208	3,229,208
Loan from a related company *(note 24)*	—	—	8,274,062	8,274,062
Interest-bearing bank borrowings, secured *(note 25)*	—	—	10,174,081	10,174,081
	—	—	26,523,979	26,523,979

31 December 2006

Financial assets

	Group					
	Financial assets at fair value through profit and loss					
	— designated as such upon initial recognition	— held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Trade receivable *(note 20)*	—	—	—	3,844,394	—	3,844,394
Financial assets included in prepayments, deposits and other receivables *(note 21)*	—	—	—	358,486	—	358,486
Pledged deposits *(note 22)*	—	—	—	52,550	—	52,550
Cash and cash equivalents *(note 22)*	—	—	—	2,875,461	—	2,875,461
	—	—	—	7,130,891	—	7,130,891

35. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Financial liabilities

	Group			
	Financial liabilities at fair value through profit and loss			
	— designated as such upon initial recognition	— held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
Trade payables *(note 23)*	—	—	4,172,713	4,172,713
Financial liabilities included in other payables and accruals	—	—	7,065,139	7,065,139
Loan from a related company *(note 24)*	—	—	1,198,671	1,198,671
Interest-bearing bank borrowings, secured *(note 25)*	—	—	6,000,000	6,000,000
	—	—	18,436,523	18,436,523

31 December 2007
Financial assets

	Company					
	Financial assets at fair value through profit and loss					
	— designated as such upon initial recognition	— held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Due from subsidiaries *(note 18)*	—	—	—	66,000	—	66,000
Cash and cash equivalents *(note 22)*	—	—	—	10,967	—	10,967
	—	—	—	76,967	—	76,967

35. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Financial liabilities *(continued)*

	Company			
	Financial liabilities at fair value through profit and loss			
	— designated as such upon initial recognition	— held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities included in				
Other payables and accruals	—	—	122,250	122,250
Due to a subsidiary *(note 18)*	—	—	646,306	646,306
	—	—	768,556	768,556

31 December 2006

Financial assets

	Company					
	Financial assets at fair value through profit and loss					
	— designated as such upon initial recognition	— held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Due from subsidiaries *(note 18)*	—	—	—	8,810,068	—	8,810,068
Cash and cash equivalents *(note 22)*	—	—	—	10,967	—	10,967
	—	—	—	8,821,035	—	8,821,035

35. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Financial liabilities

	Company			
	Financial liabilities at fair value through profit and loss			
	— designated as such upon initial recognition	— held for trading	Financial liabilities at amortised cost	Total
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities included in other payables and accruals	—	—	325,868	325,868
Due to a subsidiary *(note 18)*	—	—	2,566,306	2,566,306
	—	—	2,892,174	2,892,174

36. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings and other payables and accruals and loan from a related company. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

36. Financial risk management objectives and policies *(continued)*

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB"), Japanese Yen ("Yen"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD"). Approximately 90% (2006: 85%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 82% (2006: 98%) of costs are denominated in currencies other than the units' functional currency.

During the years ended 31 December 2007 and 2006, the exchange rate of USD, Yen and NTD were quite stable and approximately 48% (2006: 62%) of the Group's sales are denominated in these currencies.

The exchange rate of CHF, RMB and EUR were comparatively volatile.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of EUR, CHF, and RMB, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in profit before tax *HK$*	Increase/ (decrease) in equity *HK$*
31 December 2007			
If HKD weakens against EUR	5%	(97,316)	(97,316)
If HKD strengthens against EUR	(5%)	97,316	97,316
If HKD weakens against CHF	5%	(11,980)	(11,980)
If HKD strengthens against CHF	(5%)	11,980	11,980
If HKD weakens against RMB	5%	(233,842)	(233,842)
If HKD strengthens against RMB	(5%)	233,842	233,842
31 December 2006			
If HKD weakens against EUR	5%	(156,071)	(156,071)
If HKD strengthens against EUR	(5%)	156,071	156,071
If HKD weakens against CHF	5%	27,792	27,792
If HKD strengthens against CHF	(5%)	(27,792)	(27,792)
If HKD weakens against RMB	5%	(179,374)	(179,374)
If HKD strengthens against RMB	(5%)	179,374	179,374

At 31 December 2007 and 2006, the Group had not hedged any foreign currency sales to reduce such foreign currency risk.

36. Financial risk management objectives and policies *(continued)*

Foreign currency risk *(continued)*

In the opinion of the directors, they will monitoring this risk, if the exchange rate of these foreign currencies have continuous fluctuation, they will consider to use forward currency contracts to reduce these risks.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing loans. The directors of the Company are currently exploring various options for providing additional equity funding to the Group. Provided that such additional equity funding can be secured, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Also, a director of the Group has indicated his willingness to continue financing the operations of the Group and the Company and has agreed not to demand repayment of the amounts due to him of his controlled entity until the Group and the Company is in a position to do so.

36. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

31 December 2007

	On demand or has no fixed terms of repayment	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Trade payables *(note 23)*	4,846,628	—	—	—	4,846,628
Other payables and accruals	3,229,208	—	—	—	3,229,208
Loan from a related company *(note 24)*	—	—	—	8,274,062	8,274,062
Interest-bearing bank borrowings, secured *(note 25)*	—	—	10,174,081	—	10,174,081
	8,075,836	—	10,174,081	8,274,062	26,523,979

31 December 2006

	On demand or has no fixed terms of repayment	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Trade payables *(note 23)*	4,172,713	—	—	—	4,172,713
Other payables and accruals	7,065,139	—	—	—	7,065,139
Loan from a related company *(note 24)*	1,198,671	—	—	—	1,198,671
Interest-bearing bank borrowings, secured *(note 25)*	—	—	6,000,000	—	6,000,000
	12,436,523	—	6,000,000	—	18,436,523

36. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Company

31 December 2007

	On demand or has no fixed terms of repayment	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Other payables and accruals	122,250	—	—	—	122,250
Due to a subsidiary *(note 18)*	646,306	—	—	—	646,306
	768,556	—	—	—	768,556

31 December 2006

	On demand or has no fixed terms of repayment	Less than 3 months	Held to 3 to less than 12 months	1 to 5 years	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Other payables and accruals	325,868	—	—	—	325,868
Due to a subsidiary *(note 18)*	2,566,306	—	—	—	2,566,306
	2,892,174	—	—	—	2,872,174

36. Financial risk management objectives and policies *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. As at the balance sheet date, the Group has not significant equity price risk.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders of issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

36. Financial risk management objectives and policies *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payables and accruals, loan from a related company and interest-bearing bank loan, less cash and cash equivalents, and excludes discontinued operations. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

Group

	2007	2006
	HK$	*HK$*
Trade payables *(note 23)*	**4,846,628**	4,172,713
Other payables and accruals	**3,229,208**	7,065,139
Loan from a related company *(note 24)*	**8,274,062**	1,198,671
Interests bearing bank borrowings, secured *(note 25)*	**10,174,081**	6,000,000
Less: Pledged deposits	**(3,704,400)**	(52,550)
Cash and cash equivalents *(note 22)*	**(5,162,188)**	(2,875,461)
Net debt	**17,657,391**	15,508,512
Equity attributable to equity holders	**1,563,193**	4,047,092
Total capital	**1,563,193**	4,047,092
Capital and net debt	**19,220,584**	19,555,604
Gearing ratio	**91.9%**	79.3%

37. Comparative amounts

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative figures have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

38. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 20 March 2008.

Five Year Financial Summary

A summary of the results and of the assets, liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the discontinue of the watch distribution segment.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**37,721,818**	26,854,774	36,265,935	42,436,249	35,684,607
Cost of sales	**(33,636,819)**	(24,254,245)	(32,819,332)	(33,848,915)	(29,694,145)
Gross profit	**4,084,999**	2,600,529	3,446,603	8,587,334	5,990,462
Other income and gains	**3,222,907**	16,268	25,610	1,376	3,816
Selling and distribution costs	**(1,478,363)**	(780,890)	(1,239,985)	(2,921,101)	(1,092,766)
Administrative expenses	**(6,117,464)**	(5,701,881)	(6,301,451)	(6,915,683)	(45,222,141)
Other expenses	**(2,735,589)**	(1,171,154)	(1,239,526)	(1,944,569)	(1,463,822)
Finance costs	**(526,877)**	(643,932)	(1,072,429)	(1,158,285)	(756,258)
LOSS BEFORE TAX	**(3,550,387)**	(4,981,060)	(6,381,178)	(4,350,928)	(42,540,709)
Tax	**(198,032)**	—	63,789	(1,369,233)	359,624
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(3,748,419)**	(4,981,060)	(6,317,389)	(5,720,161)	(42,181,085)
DISCONTINUED OPERATION					
Profit/(loss) for the year from discontinued operation	—	408,260	1,244,355	(65,930)	2,644,316
LOSS FOR THE YEAR	**(3,748,419)**	(4,572,800)	(5,073,034)	(5,786,091)	(39,536,769)
Attributable to:					
Equity holders of the Company	**(3,748,419)**	(4,572,800)	(5,073,034)	(5,786,091)	(39,536,769)
ASSETS AND LIABILITIES					
TOTAL ASSETS	**29,876,473**	24,262,124	31,664,410	45,534,584	43,818,509
TOTAL LIABILITIES	**(28,313,280)**	(20,215,032)	(23,637,793)	(33,186,441)	(25,894,713)
	1,563,193	4,047,092	8,026,617	12,348,143	17,923,796