SYSCAN®

SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

Stock code: 8083

Annual Report 2007

*For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("EXCHANGE")

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 high market volatility than securities traded on the Main Board 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 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.

This report, for which the directors of SYSCAN Technology Holdings Limited 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 SYSCAN Technology Holdings Limited. The directors, 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.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Cheung Wai, Chairman and Chief Executive Officer
Zhang Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS
Fong Chi Wah
Jin Qingjun
Wang Ruiping

COMPANY SECRETARY
Fung Kwok Leung

QUALIFIED ACCOUNTANT
Fung Kwok Leung

COMPLIANCE OFFICER
Cheung Wai

AUTHORISED REPRESENTATIVES
Cheung Wai
Zhang Ming

AUDIT COMMITTEE
Fong Chi Wah
Jin Qingjun
Wang Ruiping

AUDITORS
Cachet Certified Public Accountants Limited
13/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRARS
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit C, 21st Floor
Seabright Plaza
9-23 Shell Street
North Point
Hong Kong

STOCK CODE
8083

FINANCIAL SUMMARY

(Amounts expressed in Hong Kong dollars)

CONSOLIDATED INCOME STATEMENTS

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, for the discontinued operation of the LCD and CRT monitors segment.

	Years ended 31 December				
	2007	2006	2005	2004	2003
	$'000	$'000	$'000	$'000	$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**86,227**	92,690	66,555	79,917	96,063
Cost of sales	**(73,815)**	(67,713)	(42,359)	(52,516)	(78,915)
Gross profit	**12,412**	24,977	24,196	27,401	17,148
Other income and gains	**58**	4,530	2,331	35,158	3,842
Selling and distribution costs	**(3,826)**	(5,953)	(10,450)	(16,058)	(6,868)
Administrative expenses	**(14,844)**	(19,753)	(49,329)	(14,130)	(12,512)
Research and development expenses	**(4,023)**	(4,657)	(39,195)	(13,758)	(4,932)
Other operating expenses	**(789)**	(21,959)	(13,476)	(14,977)	(532)
Gain on deem disposal of subsidiaries	**–**	–	2	4,228	–
Loss on disposal of subsidiaries	**–**	(377)	(472)	(9,440)	–
Negative on acquisition of a subsidiary	**–**	–	8,911	–	–
Share of loss of associates	**–**	(565)	(1,660)	(42)	–
Finance costs	**(398)**	(5,120)	(3,635)	(2,902)	(2,238)
LOSS BEFORE TAX	**(11,410)**	(28,877)	(82,777)	(4,520)	(6,092)
Tax	**–**	(2)	(7)	(7)	(7)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(11,410)**	(28,879)	(82,784)	(4,527)	(6,099)
DISCONTINUED OPERATION					
Gain on deemed disposal	**98,442**	–	–	–	–
Profit/(loss) for the year from discontinued operation	**–**	15,829	(17,304)	(19,356)	(10,631)
PROFIT/(LOSS) FOR THE YEAR	**87,032**	(13,050)	(100,088)	(23,883)	(16,730)
Attributable to:					
Equity holders of the Company	**87,032**	(11,600)	(99,435)	(23,040)	(14,651)

FINANCIAL SUMMARY

(Amounts expressed in Hong Kong dollars)

CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2007	2006	2005	2004	2003
	$'000	$'000	$'000	$'000	$'000
Intangible assets and goodwill	**–**	877	2,551	6,272	3,112
Property, plant and equipment	**14,349**	14,073	23,154	41,364	46,581
Property under development	**–**	157,229	141,134	127,807	123,706
Long-term loan receivable	**–**	–	–	–	189
Interest in associates	**135,521**	33,134	32,403	17,241	–
Available-for-sale investment	**–**	–	9,342	–	–
Long-term investments	**–**	–	–	9,342	14,059
Current assets	**58,724**	60,603	41,478	96,151	148,715
Current liabilities	**(114,232)**	(249,983)	(231,115)	(176,447)	(195,405)
Non-current liabilities	**(350)**	(398)	(446)	(616)	(772)
Net assets	**94,012**	15,535	18,501	121,114	140,185
Capital and reserves:					
Share capital	**4,095**	4,095	1,024	1,024	1,024
Reserves	**89,917**	11,440	16,027	114,283	137,643
Equity attributable to the equity holders of the Company	**94,012**	15,535	17,051	115,307	138,667
Minority interests	**–**	–	1,450	5,807	1,518
Total equity	**94,012**	15,535	18,501	121,114	140,185

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders herewith the annual results of SYSCAN Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2007.

TURNOVER AND PERFORMANCE

For the year ended 31 December 2007, the Group recorded a turnover of approximately HK$86,227,000 (2006: HK$92,690,000), representing an decrease of approximately 7%. The audited profit attributable to shareholders was approximately HK$87,032,000 (2006: loss of HK$11,600,000), mainly due to the gain on deemed disposal of subsidiaries during the year.

For the year ended 31 December 2007, the Group had disposed 55% equity interest in a subsidiary company at a consideration of approximately HK$135,335,000. The total revenue and income from continuing operation for the year ended 31 December 2007 reached approximately HK$86,285,000 (2006: HK$97,220,000), representing a decrease of approximately 11% comparing with year 2006.

PROSPECTS AND APPRECIATION

The year of 2007 has been a difficult year for the Group and the year ahead will continue to be challenging given the economic uncertainties. The most important task for the Group is to establish different stable income sources while maintaining stringent cost control. During the year 2007, the Group has already cut down a lot of overhead expenses and tried to minimize the excess needs. We will make our best efforts in developing our business to produce good economic results and better returns for our shareholders.

Pursuant to an ordinary resolution passed by way of poll on 22 February 2008 at the Special General Meeting held on that day, a 1 to 4 rights issue of the Company's share was offered to the qualifying shareholders of the Company.

As disclosed in the Company's announcement dated 14 March 2008, the Rights Issue became unconditional on 12 March 2008 and the Rights Shares were fully subscribed for.

The subscription money net of the related expenses approximately at HK$14.48 million would be used by the Group as general working capital for the Group's existing business activities.

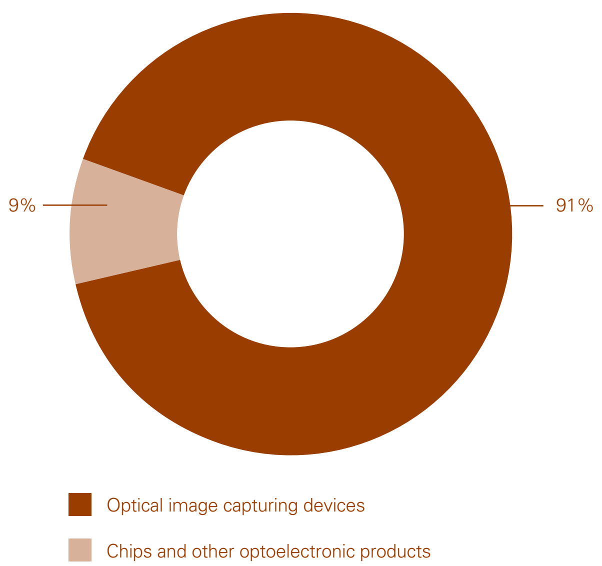
CHAIRMAN'S STATEMENT

Finally, on behalf of the Board, I acknowledge with a deep sense of gratitude to my fellow Board members, management team, staff, audit committee and shareholders for their strong support and hard working during last year.

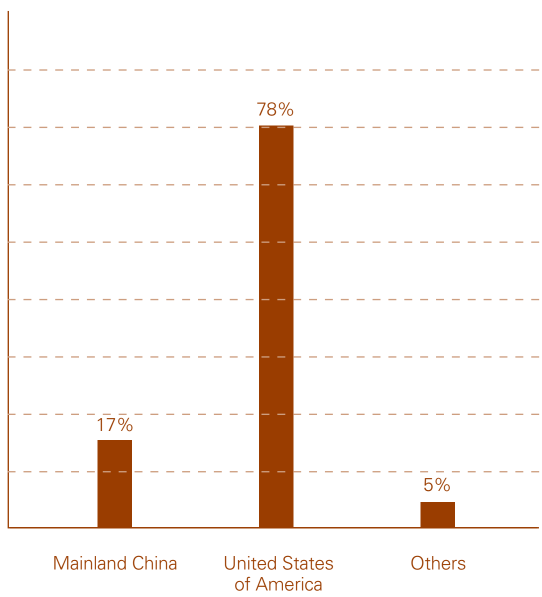
Cheung Wai
Chairman

Hong Kong, 26 March 2008

TURNOVER BREAKDOWN BY PRODUCTS



TURNOVER BREAKDOWN BY GEOGRAPHICAL LOCATION



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group's business is in the field of optical electronic industry, and is principally engaged in the design, research, development, manufacturing and distribution of optical image capturing devices and related components, and is gradually transforming into a 2D barcode solution provider and value-added services operator. The Group's turnover of approximately HK$86,227,000 for the year 2007 decreased by approximately 7% as compared to the turnover of HK$92,690,000 last year. The Group's gross profit margin had decreased from the year 2006 from 26.9% to the year 2007 of 14.4%.

The Group recorded profit attributable to shareholders for the year 2007 of approximately HK$87,032,000 comparing with the loss of HK$11,600,000 for the year for 2006.

On 6 January 2006, the major banker, Bank of China ("BOC"), Shenzhen, Mainland China, took legal action against one of the Company's indirect wholly owned subsidiary for the default in repayment of loan interest and requested repayment of defaulted interest and the relevant loan amounted to approximately RMB12,000,000 and RMB120,000,000 respectively.

As disclosed in the circular dated 30 November 2007 and pursuant to an ordinary resolution passed on 27 December 2007 at the Special General Meeting of the Company, the Company disposed of 55% equity interest in SYSCAN Manufacturing Limited ("SML"), a then indirect wholly owned subsidiary, at a consideration of approximately HK$135,335,000 to an independent third party.

The consideration thus received had been applied to repay the said secured bank loan and the relevant writ had been withdrawn by BOC in December 2007.

Research and Development

The Group had decreased its research and development expenses by 13.6% as compared to year 2006 due to there were less new products under development in year 2007.

The Group continues to explore the application of its 2D barcode value-added services in different fields of business. For instance, the Group successfully finished the research and testing for learning machine and cigarette barcode reader.

The Group will start to promote 2D barcode application in the sourcing and tracking system for China's food and medical products within certain provinces and cities.

The Group had also completed the development of 2D barcode readers, including multi-barcode and the products had already been launched at the end of 2007.

The Group has its own proprietary CM and GM coding certified by PRC authorities. With the use of the Group's 2D barcode products, the coding can provide for more superior results than normal 1D coding which can contain more data within the coding. The Group continues to refine the 2D barcode technology. Based on the 2D barcode technology, the Group has developed a new credit card reader and 2D card reader using the Group CM code.

Production and the Manufacturing Base

The Directors believe that the current production capacity in Shenzhen can fulfill the forthcoming production needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales and Marketing

In order to save costs, the Group did not join any shows in first quarter of 2007.

In September 2007, we attended the GITEX Middle East International Exhibition which was held in Dubai in order to introduce our products. The exhibition was characterized by computers and communication and consumption oriented electronic appliances. Many customers showed great interests at our 2D barcode products.

The Group has concentrated its efforts on selling its own proprietary optical image capturing devices units, 2D barcode products, chips and other optoelectronic products units which have much higher gross profit margins. The Group do not make any sales for LCD and CRT monitors unit due to the very competitive markets and very low profit margins.

INVESTMENT/DIVESTMENT AND ACQUISITION

During the year 2007, the Group had disposed its 55% equity interest in SML for the repayment of debts owned by SYSCAN Optoelectronics to the Bank of China.

FINANCIAL RESOURCES AND LIQUIDITY

As of 31 December 2007, the Group had a cash and bank balances of approximately HK$25,349,000 (2006: HK$4,919,000). The RMB-denominated short term bank borrowing of HK$8,983,000 (2006: HK$144,482,000), which was secured by the Group's leasehold land and buildings in Shenzhen, and the Group's machinery and intangible assets. The interest rates of these short term loans were between 7% and 9% p.a..

As at 31 December 2007, the total current assets over the total current liabilities was 0.51 times. The ratio of all debts to total assets was about 4%.

As most sales are made in US dollar, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

CONTINGENT LIABILITIES

Group

The Group had no contingent liabilities as at 31 December 2007 and up to the date of the approval of the financial statements.

FINANCIAL GUARANTEE CONTRACT

Company

The carrying amount of the financial guarantee contract recognised in the balance sheet was approximately HK$9,200,000 (2006: HK$132,020,000).

INTELLECTUAL PROPERTY

During the year 2007, the Group had over 49 trademarks, product names and logos registered in different countries and regions, of which 21 trademarks have been approved. As of 31 December 2007, the Group had been granted 100 patents and have 71 patents filed in different countries and regions under processing.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2007, the Group has 285 employees. The Directors believe that the quality of the employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include share options and performance bonus.

FUTURE PLANS AND PROSPECTS

The Group is cautious towards its future business plan and will concentrate on the profitable businesses in order to establishing a stable revenue stream and making the Group result to be profitable.

The Group has already simplified its corporate structure and laid off excess staffs in order to maintain stringent cost control.

SUBSEQUENT EVENT

Pursuant to an ordinary resolution passed by way of poll on 22 February 2008 at the Special General Meeting held on that day, a 1 to 4 rights issue of the Company's share was offered to the qualifying shareholders of the Company.

As disclosed in the Company's announcement dated 14 March 2008, the Right Issue became unconditional on 12 March 2008 and the Right Shares were fully subscribed for.

The subscription money net of the related expenses approximately HK$14.48 million would be used by the Group as general working capital for the Group's existing business activities.

CORPORATE GOVERNANCE REPORT

The Board continues its policy of stringent internal control and corporate governance policy. Therefore, we placed considerable efforts on implementing the internal control procedures within the Group. It is our objective to improve the production efficiency and management control.

The board of Directors of SYSCAN Technology Holdings Limited (the "Company") is committed to good standards of corporate governance in order to protect and enhance the interests of our shareholders. The Directors believe that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The principles of corporate governance adopted by the Group emphasize a quality board, sound internal control, and transparency and accountability to all stakeholders.

The Company has complied with the Appendix 15 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") throughout the year ended 31 December 2007 except that Independent Non-executive Directors had no set term of office but retire on a rotation basis. The Company is in compliance with all code provisions of the new Code on Corporate Governance Practices of the GEM Listing Rules.

Below are the corporate governance practices adopted by the Group.

On 30 June 2005, pursuant to a resolution in writing passed by the Directors, the corporate governance practices adopted by the Group are as follows:

– Code of ethics and securities transactions;
– Corporate governance practice manual;
– Term of reference for audit committee;
– Term of reference for board committee;
– Term of reference for remuneration committee; and
– Term of reference for nomination committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Code of Ethics and Securities Transactions is adopted by the Company to regulate securities dealings by directors, senior management and certain employees of the Group, and to provide guidelines and procedures on conflict of interests of Directors.

The first part of this Code of Ethics and Securities Transactions is based on the GEM listing rules 5.48 to 5.67 (the "required standard") against which Directors must measure their conduct regarding transactions in securities of their listed issuers, and the Securities Future Ordinance ("SFO").

The second part of this Code of Ethics and Securities Transactions establishes guidelines and procedures regarding conflict of interests of Directors in order to protect the best interests of the Company.

During the year ended 31 December 2007, all Directors have compiled with the Code of Ethics and Securities Transaction.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for the oversight of the management of the Company's business and affairs of the organization with the objective of enhancing shareholder value.

The Board, led by the Chairman, Mr Cheung Wai, is responsible for the approval and monitoring of Group's overall strategies and policies, approval of business plans and the performance of the Company, and oversight of senior management. The senior management is responsible for the day-to-day operations of the Group under the leadership of the CEO, Mr Cheung Wai.

As at 31 December 2007, the Board comprised two Executive Directors namely Mr Cheung Wai, also acting as Chairman and CEO, and Mr Zhang Ming, and three Independent Non-executive Directors. Biographical details of the Directors were referred to page 16 of this annual report. The board is currently looking for a suitable candidate to fill the vacancy of CEO.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the GEM Listing Rules.

The Company emphasizes the roles of the Chairman and the CEO are segregated and are not exercised by the same individual. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interests of the Group so that Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of CEO and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. The Board, under the Chairman's leadership, have adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The CEO is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board for all business operations. The CEO develops strategic plans and is directly responsible for maintaining the operational performance of the Group. Working with the CFO and the senior management of the Group, the CEO ensures that the Board is fully informed of the requirements of the businesses of the Group and presents business and financial information to the Board for consideration and approval.

The CEO, with the assistance of the CFO, ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results against plans and budgets, taking remedial actions when necessary and advising the Board of significant developments and issues. He maintains an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Directors' Board meeting is held at least 4 times a year and as when required by the CEO. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Board held four regular meetings in 2007 and two special meetings. Attendance of the directors were as follows:

	Name of Directors	Attendance
Chairman, Executive Director, CEO	Cheung Wai	6/6
Executive Director	Zhang Ming (appointed on 2 February 2007)	6/6
Independent non-executive Directors	Fong Chi Wah	6/6
	Jin Qingjun	6/6
	Wang Ruiping (appointed on 4 May 2007)	5/6

All Directors are subject to re-election by shareholders at the annual general meeting following their appointment. At each annual general meeting one-third of the Directors for the time being will retire from office provided that every Director shall be subjected to retirement by rotation at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire will be determined by lot. The retiring Director shall be eligible for re-election.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established on 30 June 2005. The Remuneration Committee is chaired by an independent non-executive Director with the responsibility of approving the remuneration policy for all Directors and senior executives. The Remuneration Committee members include a majority of independent non-executive Directors as follows:

Mr Fong Chi Wah* – Committee Chairman
Mr Jin Qingjun*
Mr Wang Ruiping* (appointed on 4 May 2007)
Mr Cheung Wai
Mr Zhang Ming (appointed on 2 February 2007)

* Independent non-executive Director

All Remuneration Committee members met at the end of the year for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee members also meets as and when required to consider remuneration related matters.

The works carried out by the Remuneration Committee are set out below:

(a) to make recommendations to the Board on the Company's policy and structure of remuneration of Directors and the senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the specific remuneration packages of all executive Directors and the senior management, including benefits in kind, provident/retirement benefits and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors, senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

NOMINATION OF DIRECTORS

The Nomination Committee was established on 30 June 2005. The Nomination Committee chaired by the CEO to make recommendations to the Board on the appointment of Directors and the senior management personnel with reference to certain guidelines as endorsed by the Nomination Committee members. The Nomination Committee members include a majority of independent non-executive directors as follows:

Mr Cheung Wai – Committee Chairman
Mr Zhang Ming (appointed on 2 February 2007)
Mr Fong Chi Wah*
Mr Jin Qingjun*
Mr Wang Ruiping* (appointed on 4 May 2007)

* Independent non-executive director

All Nomination Committee members met at the end of the year.

The works carried out by the Nomination Committee members are set out below:

(a) to review the structure, size and composition (including the skills, knowledge and experience) and to make recommendations to the Board after such review;

(b) to assess the suitability and qualification of candidates put forward by the CEO and to become new board members and to report to the Board on their assessment;

(c) to assess the independence of independent non-executive Directors, having regard to the requirements under the GEM Listing Rules; and

(d) to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors, in particular, the Chairman and the CEO.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The Committee is chaired by Mr Fong Chi Wah, and the other Audit Committee members are Mr Jin Qingjun and Mr Wang Ruiping

Under its terms of reference for audit committee passed under a directors' resolution dated 30 June 2005, is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor compliance with statutory and listing requirements, to engage independent legal or other advisers as it determines is necessary and to perform any investigations.

The Audit Committee members held four meetings in 2007 and one meeting to date in 2008.

Name of member	Attendance
Mr Fong Chi Wah	4/4
Mr Jin Qingjun	4/4
Mr Wang Ruiping (appointed on 4 May 2007)	3/4

Financial Statements

The Audit Committee met and held discussions with the CEO and CFO of the Group on the interim results, preliminary results announcement and Annual Report. The Audit Committee reviews and discusses the management's reports and representations with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and compliance with the GEM Listing Rules and other legal requirements.

The Audit Committee in conjunction with the external auditors of the Company has reviewed the Company's financial statements for the year ended 31 December 2007 and has provided advice and comments thereon.

EXTERNAL AUDITOR AND REMUNERATION

The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors. The Group only engaged Cachet for business advisory and assurance service that includes audit services provided in connection with the audit of the consolidated financial statements with annual auditor's remuneration fee of HK$390,000, provide Accountant's Report for very substantial disposal of SYSCAN Manufacturing Limited and its subsidiaries with auditor's remuneration fee of HK$380,000, and provide financial information for Rights Issue with auditor's remuneration fee of HK$200,000. No other non-audit related services were performed by Cachet.

INTERNAL CONTROL

An internal control system, being an integral part of the Company's operations, is a process effected by the Board and management team to provide reasonable assurance regarding the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Company assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of the system.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the website of the Stock Exchange.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 days' notice. The Chairman, Directors and external auditors are available to answer questions on the Company's businesses at the meeting.

Shareholders have statutory rights to call for extraordinary general meetings by serving written requests to the Company and to put forward agenda items for consideration by shareholders. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular dispatched to shareholders. The results of the poll are published on the Stock Exchange's website. Financial and other information is available on the Stock Exchange's website, which is updated regularly.

The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships. Comments and suggestions are welcome and can be addressed to our Company by mail.

By Order of the Board
Cheung Wai
Chairman

Hong Kong, 26 March 2008

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Cheung Wai, aged 57, is the Chairman and Chief Executive Officer of the Group. Mr Cheung is responsible for the overall strategic planning for the Group's development and for the Group's China business. He has over 30 years of extensive business and management experiences in the field of electronic and computer industry in the PRC and overseas. He joined the Group in 1998. He holds a bachelor's degree in Electronics Engineering from China Central Institute of Technology, Mainland China.

Mr Zhang Ming, aged 50, has been the executive director and authorised representative of the Company's PRC subsidiary since 2004, and is responsible for the business operations, production, sales and marketing performance in Mainland China. He joined the Group on 2 February 2007. He holds a bachelor's degree in Engineering Management from China University of Petroleum. Mr Zhang has held management positions in a computing company and a petroleum facilities company. Mr Zhang has over 14 years' substantial experience in the fields of petroleum and natural gas, he has been working in 中國石油部地球勘探局 and 中國石油天然氣總公司.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fong Chi Wah, aged 46, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Management Accountants, Australia and a member of Hong Kong Institute of Directors. Mr Fong has over 20 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr Fong was also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr Fong is currently an executive director of National Investment Fund Limited, a company listed on the Stock Exchange. Mr Fong holds a bachelor's degree in management science (economics) from Lancaster University, United Kingdom, a master's degree in business administration from Warwick University, United Kingdom, a master's degree in investment management from the Hong Kong University of Science and Technology and a master's degree in practising accounting from Monash University, Australia.

Mr Jin Qingjun, aged 50, is currently a partner of King & Wood, solicitors and attorneys in PRC. He has over 20 years of rich experience in the fields of finance, securities, investment, intellectual property, real estate, corporate, maritime, insolvency and litigation as well as foreign investment related areas. Mr Jin was the louder and Managing Partner of Shu Jin & Co., solicitors and attorneys in PRC. He has previously worked as Attorney for C & C Law Office in PRC, as Foreign Attorney for Clyde & Co., British solicitors, and Johnson Stokes & Master, solicitors in Hong Kong. Presently, Mr Jin acts as legal consultant for various financial institutions, securities companies, listed companies and overseas corporations such as the World Bank Group International Finance Corporation. He is now also acting as independent director of two listed companies in the PRC namely China International Marine Containers (Group) Stock Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a company listed on the Shenzhen stock exchange and China United Travel Stock Co., Ltd. (國旅聯合股份有限公司), a company listed on the Shanghai stock exchange. He is also an independent director of a Sino-US fund management firm, namely INVESCO Great Wall Securities Fund Management Co., Ltd. (景順長城基金管理有限公司). Mr Jin is one of the first lawyers who was granted the license to advise on securities transactions in PRC. He holds a bachelor's degree in English from Anhui University and a master degree of Laws in International Laws from China University of Political Science & Law. He is the Adjunct Professor of China University of Political Science & Law, and an Arbitrator of China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission. He is one of the seven members of Shenzhen Stock Exchange Appeal Review Commission. Mr Jin is also a member of various law societies and associations namely China Law Society, China International Law Association, China Maritime Law Association, D.C. Bar of the United States of America, WTO Committee of All China Lawyers Association and Inter Pacific Bar Association.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr Wang Ruiping, aged 45, is a managing director of TDR Capital International Limited and an independent non-executive director of China Huali Holding Limited since March 2003, a company listed in Shenzhen stock exchange. Mr Wang has over 15 years of investment banking and investment management experience. He also has profound experience of investments in China via listings on domestic and foreign stock exchanges. He has previously worked as executive director of Softbank Investment International (Strategic) Limited, vice president of Greater China Investment banking of Deutsche Bank and assistant director of Standard Chartered (Asia) Limited in charge of investment banking business in mainland China. Mr Wang was working for China International Trust and Investment Corporation before joining Standard Chartered Asia Limited. Mr Wang holds a master degree in Economics from Nankai University of China.

SENIOR MANAGEMENT

Mr Wong Hiu Tung, aged 39, is the Chief Financial Officer and is responsible for ensuring the funding needs of the Group, monitoring the Group's operational and financial status such as cash flow and revenue generation, expenses containment and budget forecasting in accordance with the Group's strategic plans. Mr Wong has over 10 years experience in various sectors of financial industry, including venture capital, investment banking and corporate finance with focus on the PRC and Hong Kong. Mr Wong previously worked for WI Harper Group and JPMorgan Chase Bank. Mr Wong holds an Honours Degree in Law and a Master of Business Administration from the University of Exeter, United Kingdom.

Mr Alpha Hou Lan Chung, aged 54, is the Chief Technology Officer and is responsible for technology research and development of the Group. Mr Hou has over 25 years' imaging related product development and engineering management experience in analog and digital design, image capturing and display industry including Pro-Arch, Syscan, Microtek, Trident, Genoa, Grundig and RCA. He holds a bachelor's degree in Electronic Engineering from Northwestern Polytechnic University, USA. Mr Hou joined the Group in December 2007.

Mr Chen Longjun, aged 40, is the President of the Mobile Bar Code Business Centre. He has over 10 years experience in several fields, such as mobile communication, computer network, computer software development and image recognition technology, etc., he worked in the Silicon Valley headquarters of Cisco Company in America as senior engineer and senior manger. Besides, he was appointed as secretary-general of American Silicon Valley Engineer Association. And he established American Acamar Systems Wireless Network Company in the early period of 2002, which was purchased successfully by American Intel Company in 2004. He received the master's degree in computer from Xi'an Jiaotong University as well as the doctor's degree in computer from University of North Dakota in America.

Mr Fung Kwok Leung, aged 42, is the qualified accountant and company secretary of the Company. Mr Fung holds an Honours Degree in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr Ge Zhuang, aged 43, is the General Manager of the System Integration Business Center. He has over 10 years experience in IT industry and as the vice-chairman of Shenzhen Information Expert Working Committee, he is familiar with various industry markets, such as telecommunication and government, as well as relevant technologies. He has organized and implemented many large-scale computer network and software projects in the fields of computer system integration, software development and so on. He held the post of senior vice-president in the Shenzhen Modern Computer Manufacturer co., Ltd. He has the master's degrees in computer and international trade from Nankai University.

Mr Dou Yi, aged 37, is the Manager of the Industry Application Business Center. He has over 10 years of experience in IT industry, he worked in several famous enterprises, such as Canada IBM TORONTO LAB, American SARGENT & LUNDY LTD as well as the former State Electric Power Corporation, engaging in leading technology development and management. He received the bachelor's degrees in electric project from Sichuan University as well as computer science of York University in Canada.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of SYSCAN Technology Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2007.

THE COMPANY

The Company was incorporated in Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") since 14 April 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, research, development, optical image capturing devices and related components. Its subsidiaries also have minority interests in certain companies. Details of the investments of the Group are set out in Note 20 to the accompanying financial statements.

An analysis of the Group's turnover and segment result by product category and turnover and segment assets by geographical location for the year ended 31 December 2007, are as follows:

		Turnover		Segment result	
		2007	2006	**2007**	2006
		HK$'000	HK$'000	**HK$'000**	HK$'000
a.	**By product category**				
	– optical image capturing devices	**78,659**	84,530	**(10,387)**	(4,964)
	– modules unit	**–**	–	**–**	–
	– chips and other optoelectronic products	**7,568**	8,160	**(1,000)**	(479)
		86,227	92,690	**(11,387)**	(5,443)

		Turnover		Segment assets	
		2007	2006	**2007**	2006
		HK$'000	HK$'000	**HK$'000**	HK$'000
b.	**By geographical location***				
	– Mainland China	**14,840**	13,276	**208,594**	217,913
	– The United States of America	**66,804**	77,116	**–**	–
	– Others	**4,583**	2,298	**–**	48,003
		86,227	92,690	**208,594**	265,916

* Turnover by geographical location is determined mainly on the basis of the destination of delivery of merchandise.

REPORT OF THE DIRECTORS

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the five largest customers accounted for approximately 82% of the Group's total turnover, while the five largest suppliers of the Group accounted for approximately 59% of the Group's total purchases. The largest customer accounted for approximately 78% of the Group's total turnover while the largest supplier accounted for approximately 38% of the Group's total purchases.

As far as the Directors are aware, none of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the five largest customers and suppliers of the Group.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2007 are set out in the consolidated income statement on page 32 of this annual report.

The Directors do not recommend the payment of any dividend and recommend that the accumulated deficit of approximately HK$108,935,000 of the Company as at 31 December 2007 be carried forward.

SHARE CAPITAL

Details of share capital of the Company are set out in Note 33 to the accompanying financial statements.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves of the Group and the Company during the year are set out in Note 34 to the accompanying financial statements. Movements in accumulated deficit of the Group during the year are set out in the consolidated income statement on page 32 of this annual report.

As at 31 December 2007, the Company had no reserves available for distribution to its shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda in relation to the issue of new shares by the Company.

REPORT OF THE DIRECTORS

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Note 20 and Note 21 respectively to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PROPERTY UNDER DEVELOPMENT

Details of movements in property, plant and equipment and property under development during the year are set out in Notes 18 and 19 respectively to the accompanying financial statements.

BANK BORROWINGS

Particulars of bank borrowings as at 31 December 2007 are set out in Notes 28 to the accompanying financial statements.

EMPLOYEE RETIREMENT BENEFITS

Details of the Group's pension schemes are set out in Note 35 to the accompanying financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in Note 42 to the accompanying financial statements.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors

Mr Cheung Wai, Chairman	
Mr Zhang Ming	(appointed on 2 February 2007)

Independent non-executive directors

Mr Fong Chi Wah	
Mr Jin Qingjun	
Mr Wang Ruiping	(appointed on 4 May 2007)
Mr Lo Wai Ming	(resigned on 28 September 2007)

Mr Zhang Ming, the Executive Director, has entered into a service agreement with the Company for a term of three years commencing from 2 February 2007.

In accordance with Bye-law 99 and 102A of the Bye-Laws of the Company, Mr Cheung Wai, Mr Fong Chi Wah and Mr Wang Ruiping will retire from office by rotation at the forthcoming AGM, and being eligible, offer himself for re-election at the forthcoming AGM.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Mr Cheung Wai (Chairman) has renewed the service agreement with the Company for a term of four years commencing from 1 April 2004.

Mr Zhang Ming, the Executive Director, has entered into a service agreement with the Company for a term of three years commencing from 2 February 2007.

Mr Fong Chi Wah and Mr Jin Qingjun, the independent non-executive directors, have entered into service agreements with the Company for a term of three years commencing from, in the case of Mr Fong Chi Wah, 19 December 2003 and in the case of Mr Jin Qingjun, 30 September 2004.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN SHARES

As at 31 December 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long Positions in shares of the Company

	Number of ordinary shares held					Percentage
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**of issued share capital**
Mr Cheung Wai	149,882,409	–	18,740,000 (Note 1)	–	168,622,409	41.18%
Mr Jin Qingjun	50,000	–	–	–	50,000	0.01%

Notes:

1. 18,740,000 Shares are held by Simrita Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr Cheung Wai.

2. As detailed note 33, an one for four Rights Issue became unconditional in 12 March 2008. Mr Cheung Wai took all the eligible rights shares as a qualified shareholder. After the rights issue, Mr Cheung holds 749,412,045 and 93,700,000 shares in personal interests and corporate interests respectively, with the total effective percentage holding remained as 41.18%.

Long positions in underlying shares of the Company

On 2 March 2000, the Company adopted Share Option Scheme A and Scheme B under which share options to subscribe for shares of the Company may be granted under the terms and conditions stipulated in Scheme A and Scheme B.

Share Option Scheme A ceased to be effective (save for the options granted) upon the listing of the Company on 14 April 2000. At the annual general meeting of the Company held on 26 April 2002, shareholders of the Company approved the adoption of a new Share Option Scheme C and the termination of Share Option Scheme B.

Since its adoption and up to 31 December 2007, no options have been granted to the Directors of the Company under Share Option Scheme A.

Details of the options granted to the Directors of the Company under Share Option Scheme B and Share Option Scheme C since its adoption and up to 31 December 2007 were as follows:

Scheme B

Name	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Subscription price per share	No. of underlying shares comprising the options granted	No. of underlying shares comprising the options exercised	No. of underlying shares comprising the options cancelled/ lapsed	No. of underlying shares comprising the options outstanding
Mr Cheung Wai	19/6/2000	19/6/2001 to 18/6/2010	HK$1.65	1,000,000	–	–	1,000,000

Save as disclosed above, as at 31 December 2007, none of the directors had any interest or short positions in any shares, underlying shares or debentures of the Company or any of 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 of the Company as referred to in Rule 5.40 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2007, there was no other person (other than a director or chief executive of the Company) who had any 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.

Long positions in shares of the Company

Name	Capacity	Nature of interest	Number of shares	Percentage of issued share capital
Mr Cheung Wai (Note 1)	Beneficial owner	Personal & Corporate	168,622,409	41.18%

Note:

1. Details of the interests of Mr Cheung Wai is duplicated in the section "DIRECTORS' INTEREST IN SHARES" disclosed above.

2. As detailed note 33, an one for four Rights Issue became unconditional in 12 March 2008. Mr Cheung Wai took all the eligible rights shares as a qualified shareholder. After the rights issue, Mr Cheung holds 749,412,045 and 93,700,000 shares in personal interests and corporate interests respectively, with the total effective percentage holding remained as 41.18%.

EMPLOYEE SHARE OPTIONS

The Company has three employee share option schemes, namely Share Option Scheme A, Share Option Scheme B and Share Option Scheme C (collectively "the Schemes").

Share Option Scheme A ("Scheme A")

(I) Summary of the terms of Scheme A

The purpose of Scheme A is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and consultants of the Company and its subsidiaries and to promote the success of the Company's business.

The Company adopted Scheme A on 2 March 2000 and granted a maximum of 52,784,000 options to subscribe for 52,784,000 shares at exercise prices ranging from HK$0.02422 to HK$0.04844, which was resulted from the conversion of outstanding options under the stock option plan adopted and approved by SYSCAN, Inc., a wholly owned subsidiary of the Company, by virtue of a group reorganization scheme in preparation for the listing of the Company's shares on the GEM.

Save as aforesaid, no further shares may be granted under Scheme A and Scheme A ceased to be effective upon the listing of the Company on the GEM on 14 April 2000, but the options which have been granted during the life of Scheme A shall continue to be exercisable in accordance with their terms of issue and in all other respects the provisions of Scheme A shall remain in full force and effect.

Participants include any employee and consultant of the Company or any subsidiary, including any executive director of the Company or any subsidiary.

No participant shall be granted an option which, if exercised in full, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him which have been exercised and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Schemes.

As a result of the Open Offer on 7 July 2006, there was an adjustment of the share option exercise price of and the number of shares to be alloted, the full detail of the adjustments was published on the GEM website on 2 November 2006.

(II) Details of the movement of options under Scheme A during the year ended 31 December 2007 were as follows:

				Number of underlying shares				
Class of optionees	Date of grant	Exercise period	Subscription price per share	Beginning of year	Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	Balance as at 30 June 2007
Employees working under continuous employee contracts	2 March 2000	2 March 2000 to 1 March 2010	HK$0.2422	2,008,000	–	(1,896,000)	–	112,000
All other optionees	2 March 2000	2 March 2000 to 1 March 2010	HK$0.2422	2,288,000	–	(2,288,000)	–	–
				4,296,000	–	(4,184,000)	–	112,000

Share Option Scheme B ("Scheme B")

(I) Summary of the terms of Scheme B

The purpose of Scheme B is to advance the interests of the Company and its shareholders by providing to the executive directors and full-time employees of the Company and its subsidiaries a performance incentive for continued and improved service with the Company and its subsidiaries and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership.

Scheme B was adopted by the Company on 2 March 2000 pursuant to which options may be granted to the employees of the Group to subscribe for ordinary shares of $0.01 each, subject to, when aggregated with any shares subject to any other scheme of the Company, a maximum of 30% of the nominal value of the issued share capital of the Company from time to time. The subscription price will be determined by the Company's Board of Directors, and will not be less than the higher of (i) the nominal value of the ordinary shares, (ii) the average of the closing price of the ordinary shares quoted on the GEM on the five business days immediately preceding the date of grant, and (iii) the closing price of ordinary shares quoted on the GEM on the date of grant, which must be a business day. An offer of an option shall be deemed to have been granted and accepted when a duplicate letter comprising acceptance of the option duly signed by the participant, together with a remittance of HK$1 by way of consideration for the grant thereof, is received by the Company with a period of 21 days from the date of offer.

Participants include any full-time employee of the Company or any subsidiary, including any executive director of the Company or any subsidiary.

No participant shall be granted an option which, if exercised in full, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him which have been exercised and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under Schemes.

At the annual general meeting of the Company held on 26 April 2002, shareholders of the Company have approved the termination of Scheme B (save for the options already granted but unexercised). Thereafter, no further shares may be granted under Scheme B and Scheme B ceased to be effective after 26 April 2002, but the options which have been granted during the life of Scheme B shall continue to be exercisable in accordance with their terms of issue and in all other respects the provisions of Scheme B shall remain in full force and effect.

As a result of the Open Offer on 7 July 2006, there was an adjustment of the share option exercise price of and the number of shares to be alloted, the full detail of the adjustments was published on the GEM website on 2 November 2006.

(II) Details of the movement of options under Scheme B during the year ended 31 December 2007 were as follows:

				Number of underlying shares				
Class of optionees	Date of grant	Exercise period	Subscription price per share	Beginning of year	Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	Balance as at 30 June 2007
Directors, chief executive, management shareholders or substantial shareholders or their respective associates	19 June 2000	19 June 2001 to 18 June 2010	HK$1.65	2,000,000	–	(1,000,000)	–	1,000,000
	17 January 2001	17 January 2002 to 16 January 2011	HK$1.03	3,600,000	–	(3,600,000)	–	–
Employees working under continuous employee contracts	12 July 2000	12 July 2001 to 11 July 2010	HK$1.23	170,000	–	(150,000)	–	20,000
	4 December 2000	4 December 2001 to 3 December 2010	HK$0.508	140,000	–	(100,000)	–	40,000
	17 January 2001	17 January 2002 to 16 January 2011	HK$1.03	1,860,000	–	(1,700,000)	–	160,000
	13 August 2001	13 August 2002 to 12 August 2011	HK$1.38	940,000	–	(880,000)	–	60,000
				8,710,000	–	(7,430,000)	–	1,280,000

Share Option Scheme C ("Scheme C")

(I) Summary of the terms of Scheme C

The purpose of Scheme C is to provide incentives or rewards to participants hereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest.

Scheme C was adopted by the Company at the annual general meeting held on 26 April 2002 pursuant to which options may be granted to participants to subscribe for ordinary shares of $0.01 each, subject to, when aggregated under this scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The subscription price will be determined by the Company's Board of Directors, and will not be less than the higher of (i) the nominal value of the ordinary shares, (ii) the average of the closing price of the ordinary shares quoted on the GEM on the five business days immediately preceding the date of grant, and (iii) the closing price of ordinary shares quoted on the GEM on the date of grant, which must be a business day. An offer of an option shall be deemed to have been granted and accepted when a duplicate letter comprising acceptance of the option duly signed by the participant, together with a remittance of HK$1 by way of consideration for the grant thereof, is received by the Company within a period of 21 days from the date of offer.

The Directors may, at their absolute discretion, invite any person who has contributed to, or can contribute to the Group's business value and/or technology from product development, sales & marketing, manufacturing to enhancing efficiency of operation to take up options to subscribe for ordinary shares of the Company.

No participant shall be granted an option which would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such grant representing in aggregate over 1 per cent. of the total number of shares in issue.

As a result of the Open Offer on 7 July 2006, there was an adjustment of the share option exercise price of and the number of shares to be alloted, the full detail of the adjustments was published on the GEM website on 2 November 2006.

The total number of shares available for issue under Scheme C is 17,097,464 (representing approximately 4.2% of the issued share capital of the Company as at the date of this report).

Scheme C shall remain valid and effective for a period of 10 years commencing on 26 April 2002, after which period no further options will be granted but the provisions of this scheme shall remain in full force and effect in all other respects.

(II) Details of the movement of options under Scheme C during the year ended 31 December 2007 were as follows:

				Number of underlying shares				
Class of optionees	Date of grant	Exercise period	Subscription price per share	Beginning of year	Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	Balance as at 30 June 2007
Employees working under continuous employee contracts	14 May 2002	14 May 2003 to 13 May 2012	HK$0.706	2,940,000	–	(2,080,000)	–	860,000
	14 August 2002	14 August 2003 to 13 August 2012	HK$0.50	1,670,000	–	(980,000)	–	690,000
	12 November 2002	12 November 2003 to 11 November 2012	HK$0.50	100,000	–	(100,000)	–	–
	26 March 2003	26 March 2004 to 25 March 2013	HK$0.50	2,294,000	–	(1,662,000)	–	632,000
	13 August 2003	13 August 2004 to 12 August 2013	HK$0.50	560,000	–	(560,000)	–	–
All other optionees	14 May 2002	14 May 2003 to 13 May 2012	HK$0.706	260,000	–	(60,000)	–	200,000
	14 August 2002	14 August 2003 to 13 August 2012	HK$0.50	1,400,000	–	(400,000)	–	1,000,000
	12 November 2002	12 November 2003 to 11 November 2012	HK$0.50	200,000	–	(200,000)	–	–
				9,424,000	–	(6,042,000)	–	3,382,000

The Directors consider it inappropriate to value all the options that can be granted during the year ended 31 December 2007 under all the schemes of the Company on the assumption that a number of factors crucial for the valuation cannot be determined. Such factors include the exercise period, the date of exercise and the conditions, such as performance targets, if any, that an option is subject to. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful but would be misleading to the shareholders.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout year ended 31 December 2007.

FINANCIAL SUMMARY

A summary of the consolidated income statements and consolidated balance sheets of the Group is set out on pages 3 and 4 of this annual report.

AUDIT COMMITTEE

The Company established an audit committee on 2 May 2000 with written terms of reference in compliance with Rules 5.23 to 5.27 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The audit committee comprises three independent non-executive directors, namely Mr Fong Chi Wah, Mr Jin Qingjun and Mr Wang Ruiping. The Committee has met 4 times since 1 January 2007 with the management to discuss and review the Group's various internal control, audit issues and results of the Group with a view to further improve the Group's corporate governance.

AUDITORS

The financial statements were audited by Messrs Cachet Certified Public Accountants Limited. A resolution for the re-appointment of Messrs Cachet Certified Public Accountants Limited as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHEUNG WAI	**ZHANG MING**
Chairman and Chief Executive Officer	Director

Hong Kong, 26 March 2008

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SYSCAN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Syscan Technology Holdings Limited set out on pages 32 to 100, 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 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.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for qualified opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR QUALIFIED OPINION

Limitation of scope – carrying amount of interests in associates and provision for impairment of amounts due from associates

Included in the interests in associates in the consolidated balance sheet as at 31 December 2007 were interests in two associates, namely Zhejiang SYSCAN Technology Co., Ltd. (浙江矽感科技有限公司) and Shenzhen SYSCAN Hecheng Info-tech Co., Ltd. (深圳市旭感和誠信息技術有限公司), of HK$33,134,000, the amount due from one of the associates of HK$Nil, stated net of a provision for impairment loss against the amount of HK$20,284,000, and the amounts due to associates of HK$34,755,000. We were not provided with sufficient and appropriate evidence to satisfy ourselves as to whether the amounts were fairly stated and free from material misstatement and we were unable to obtain sufficient evidence or carry out alternative audit procedures on the value of the share of net assets of associates, the amount due from or to associates as at 31 December 2007 and the share of losses of associates of HK$Nil for the year ended 31 December 2007. Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated balance sheet and the consolidated income statement in respect of the share of losses of associates and the provision for impairment loss on the amounts due from associates and consequently the net carrying amount of interests in associates and amounts due from or to associates as at 31 December 2007.

INDEPENDENT AUDITOR'S REPORT

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements regarding the net current liabilities of approximately HK$55,508,000 as at 31 December 2007. The financial statements have been prepared on a going concern basis, the validity of which depends upon the rights issue detailed in note 33 to the financial statements and the fact that a director of the Company and the associates of the Company have agreed not to demand repayment of the amounts due by the Group to them until the Group is financially capable to do so without affecting its working capital position. The financial statements do not include any adjustments that would result from a failure to obtain such financial funding and support. 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.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2007 and of the cash flows of the Group for the year then ended, and except for any adjustments that might have been necessary had we been able to obtain information to satisfy ourselves as to the matter mentioned in the basis for qualified opinion section above, give a true and fair view of the state of affairs of the Group as at 31 December 2007 and the Group's profit for the year ended 31 December 2007 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 Yuk Tong
Practising Certificate Number P03723

Hong Kong
26 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

CONTINUING OPERATION	Note	**2007 HK$'000**	2006 HK$'000
Revenue	8	**86,227**	92,690
Cost of sales		**(73,815)**	(67,713)
Gross profit		**12,412**	24,977
Other revenue	8	**58**	4,530
Selling and distribution expenses		**(3,826)**	(5,953)
General and administrative expenses		**(14,844)**	(19,753)
Research and development expenses		**(4,023)**	(4,657)
Other operating expenses		**(789)**	(21,959)
		(23,482)	(52,322)
Loss from continuing operations		**(11,012)**	(22,815)
Finance costs	9	**(398)**	(5,120)
Loss on disposal of subsidiaries	36(b)	**–**	(377)
Share of losses of associates		**–**	(565)
Loss before taxation		**(11,410)**	(28,877)
Tax	12	**–**	(2)
Loss for the year from continuing operation		**(11,410)**	(28,879)
DISCONTINUING OPERATION			
Gain on deemed disposal	36(a)	**98,442**	–
Profit from a discontinued operation of business	13	**–**	15,829
Profit for the year from a discontinued operation		**98,442**	15,829
Profit/(Loss) for the year		**87,032**	(13,050)
Attributable to:			
Equity holders of the Company	14	**87,032**	(11,600)
Minority interests		**–**	(1,450)
		87,032	(13,050)
Earnings/ (Loss) per share attributable to ordinary equity holders of the Company:	15		
Basic			
For profit/(loss) for the year		**21.3 cents**	(4.6 cents)
For loss for the year from continuing operations		**(2.8 cents)**	(11.5 cents)
Diluted			
For profit/(loss) for the year		**N/A**	N/A
For profit/(loss) from continuing operations		**N/A**	N/A
Dividends		**–**	–

The notes on pages 38 to 100 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	**2007 HK$'000**	2006 HK$'000
NON-CURRENT ASSETS			
Intangible assets	16	**–**	877
Goodwill	17	**–**	–
Property, plant and equipment	18	**14,349**	14,073
Property under development	19	**–**	157,229
Interest in associates	21	**135,521**	33,134
Available-for-sale investments	22	**–**	–
		149,870	205,313
CURRENT ASSETS			
Inventories	23	**2,422**	3,097
Trade receivables	24	**4,949**	11,918
Prepayments, deposits and other receivables	25	**25,387**	40,669
Due from an associate	26	**–**	–
Tax prepaid		**617**	–
Cash and cash equivalents	27	**25,349**	4,919
		58,724	60,603
CURRENT LIABILITIES			
Bank loans, secured	28	**8,633**	144,084
Trade payables	29	**6,058**	24,840
Accruals and other payables	30	**64,775**	37,890
Due to a director	31	**–**	4,590
Tax payable		**11**	–
Due to associates	26	**34,755**	38,579
		114,232	249,983
NET CURRENT LIABILITIES		**(55,508)**	(189,380)
Total assets less current liabilities		**94,362**	15,933
Non-current liabilities			
Bank loans, secured	28	**(350)**	(398)
NET ASSETS		**94,012**	15,535
EQUITY			
Share capital	33	**4,095**	4,095
Reserves	34	**89,917**	11,440
Total equity attributable to the equity holders of the Company		**94,012**	15,535
Minority interests		**–**	–
Total equity		**94,012**	15,535

Approved and authorised for issue by the board of directors on 26 March 2008

On behalf of the board

CHEUNG WAI
Director

ZHANG MING
Director

The notes on pages 38 to 100 form an integral part of these financial statements.

BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON CURRENT ASSETS			
Interest in subsidiaries	20	**–**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**20,480**	35,616
Cash and cash equivalents		**2,363**	11
		22,843	35,627
CURRENT LIABILITIES			
Accruals and other payables		**675**	4,204
Due to a director	31	**–**	4,240
		675	8,444
NET CURRENT ASSETS		**22,168**	27,183
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,168**	27,183
NON-CURRENT LIABILITIES			
Financial guarantee contract		**–**	(132,020)
NET ASSETS/(LIABILITIES)		**22,168**	(104,837)
EQUITY			
Share capital	33	**4,095**	4,095
Reserves	34	**18,073**	(108,932)
		22,168	(104,837)

Approved and authorised for issue by the board of directors on 26 March 2008

On behalf of the board

CHEUNG WAI
Director

ZHANG MING
Director

The notes on pages 38 to 100 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Statutory reserve fund	Exchange reserve	Accu–mulated losses	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2006	1,024	–	198,066	439	1,889	(184,367)	17,051	1,450	18,501
Shares issued arising from open offer (note 33)	3,071	6,141	–	–	–	–	9,212	–	9,212
Exchange adjustments	–	–	–	–	872	–	872	–	872
Loss for the year	–	–	–	–	–	(11,600)	(11,600)	(1,450)	(13,050)
Balance at 31 December 2006	4,095	6,141	198,066	439	2,761	(195,967)	15,535	–	15,535
Balance at 1 January 2007	4,095	6,141	198,066	439	2,761	(195,967)	15,535	–	15,535
Exchange adjustments	–	–	–	–	(2,462)	–	(2,462)	–	(2,462)
Written back on deemed disposal of subsidiaries	–	–	(6,093)	–	–	–	(6,093)	–	(6,093)
Profit for the year	–	–	–	–	–	87,032	87,032	–	87,032
Balance at 31 December 2007	**4,095**	**6,141**	**191,973**	**439**	**299**	**(108,935)**	**94,012**	**–**	**94,012**

The notes on pages 38 to 100 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		**87,032**	(13,048)
Adjustment for:			
Amortisation of intangible assets		**153**	513
Depreciation of property, plant and equipment		**3,319**	5,877
Gain on deemed disposal of subsidiaries	36(a)	**(98,442)**	–
Finance costs	9	**398**	7,419
Interest income	8	**(58)**	(114)
Gain on disposal of non-current assets	36(c)	**–**	(15,904)
Loss on disposal of subsidiaries	36(b)	**–**	377
Loss on disposal of property, plant and equipment	9	**412**	208
Reversal of impairment loss on trade receivables	8	**–**	(1,793)
Write-down of inventories	9	**–**	376
Share of loss of associates	9	**–**	565
Impairment loss on available-for-sale investment	9	**–**	1,560
Impairment loss on amount due from an associate	9	**–**	19,886
Trade payables written off	8	**–**	(1,412)
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES		**(7,186)**	4,510
Increase in inventories		**675**	(3,909)
(Increase)/decrease in trade receivables		**6,968**	(11,393)
(Increase)/decrease in prepayments, deposits and other receivables		**27,987**	(34,518)
Increase in due to a director		**(4,590)**	4,590
Increase/(decrease) in trade payables		**(18,782)**	6,255
Increase in accruals and other payables		**26,369**	20,289
CASH GENERATED FROM/(USED IN) OPERATIONS		**31,441**	(14,176)
Oversea tax paid		**(606)**	(2)
Interest received		**58**	114
Interest paid		**(398)**	(1,649)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**30,495**	(15,713)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(3,831)**	(897)
Proceeds from disposal of property, plant and equipment		**–**	20,955
Additions to property under development		**–**	(5,440)
Cash (outflow)/inflow from deemed disposal of subsidiaries	36(a)	**135,335**	(4,487)
(Decrease) in due to associates		**(3,823)**	(1,634)
NET INFLOW FROM INVESTING ACTIVITIES		**127,681**	8,497
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans, secured		**(124,000)**	(2,063)
Shares issued arising from open offer		**(12,020)**	9,212
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**(136,020)**	7,149
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**22,156**	(67)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR		**4,919**	8,140
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(1,726)**	(3,154)
CASH AND CASH EQUIVALENT AT END OF YEAR		**25,349**	4,919
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**25,349**	4,919

The notes on pages 38 to 100 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. CORPORATE INFORMATION

SYSCAN Technology Holdings Limited (the "Company") was incorporated in Bermuda on 17 August 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") since 14 April 2000.

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, research, development, manufacture and distribution of optical image capturing devices, chips and other optoelectronic products.

The business of the Company and its subsidiaries (the "Group") is characterized by constant technological change and new product and service development. Inherent in the Group's business are various risks and uncertainties, including risks associated with the technology industry, history of losses, uncertain profitability and the ability to raise additional capital.

2. BASIS OF PREPARATION

The financial statements on pages 32 to 100 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The Group had consolidated net current liabilities of HK$55,508,000 at 31 December, 2007 (2006: HK$189,380,000).

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence on a going concern basis:

(a) as detailed in note 33 to the financial statements, an one to four rights issue (the "Rights Issue") was proposed and was affirmed by independent shareholders at the special general meeting held on 22 February 2008. The Rights Issue became unconditional on 12 March 2008 and the net cash received would be used by the Group as general working capital; and

(b) a director of the Company and the associates of the Company have agreed not to demand repayment of the amounts due from the Group to them until the Group is financially capable to do so without affecting its working capital position.

In the opinion of the directors, in light of the measures adopted, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

2. BASIS OF PREPARATION *(Cont'd)*

Should the Group be unable to achieve the other measures mentioned above, particularly the above-mentioned Rights Issue, and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial information.

Basis of consolidation

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

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Details of the subsidiaries of the Company are set out in note 20 to the financial statements.

3. 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. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital 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) 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 operations of the Group, comparative information has been included/revised where appropriate.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 7 to the financial statements.

(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 (based on a value of the Group's equity instruments) 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 not issued equity instruments to its employees, the interpretation has had no effect on these 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. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these 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 position or results of operations of the Group.

4. 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*
HKAS 23 (Revised)	*Borrowing Costs* [1]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions* [2]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [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 periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments 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 has been revised to require capitalisation of borrowing costs when such costs are directly 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. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

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 needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. 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. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales 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 sale. 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 Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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 amended disclosures and the adoption of HKAS 23 (Revised) may result in a change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) SUBSIDIARIES

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

(b) ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

(c) GOODWILL

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(c) GOODWILL *(Cont'd)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on the acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognized immediately in the income statement.

The excess for the associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profit or loss in the period in which the investments are acquired.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(c) GOODWILL *(Cont'd)*

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, construction contract assets, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less cost 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 asset 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.

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, however 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. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

(d) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION *(Cont'd)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
– Plant and machinery	10 to 20%
– Furniture, fixtures and equipment	20 to 33%
– Motor vehicles	20%
– Leasehold improvement	5%

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

Residual values, useful lives and 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.

(e) OPERATING LEASES

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 lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premium under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(g) PROPERTY UNDER DEVELOPMENT

Property under development are stated at cost, which includes land costs and construction costs incurred and other costs attributable to the construction of the related assets and other related expenses capitalised during the development period, less any impairment losses. No depreciation is provided in respect of properties under development until the construction work is completed.

(h) 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 or 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 considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host 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.

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. Gains or losses on investments held for trading are recognised in the income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) INVESTMENTS AND OTHER FINANCIAL ASSETS *(Cont'd)*

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. 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 in listed and unlisted equity securities 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 values with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

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 on 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 option pricing models.

(i) IMPAIRMENT OF FINANCIAL ASSETS

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(i) IMPAIRMENT OF FINANCIAL ASSETS *(Cont'd)*

Assets carried at amortised cost *(Cont'd)*

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. 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 uncollectable.

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

(j) 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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) DERECOGNITION OF FINANCIAL ASSETS *(Cont'd)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(k) FINANCIAL LIABILITIES AT AMORTISED COST (INCLUDING INTEREST-BEARING LOANS AND BORROWINGS)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings 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.

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

(l) 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.

(m) RESEARCH AND DEVELOPMENT COSTS

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(n) 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 semi-finished goods, 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.

(o) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

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

(p) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that many support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(p) INCOME TAX *(Cont'd)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date, Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity (see note 7).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) FOREIGN CURRENCIES *(Cont'd)*

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the income statement on disposal.

(r) FINANCIAL GUARANEES ISSUED, PROVISION AND CONTINGENT LIABILITIES

(i) Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognized at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with note 3(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(r)(iii).

(iii) Other provisions and contingent liabilities

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.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(s) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

(t) 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);

(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, any individual referred to in (d) or (e); or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) EMPLOYEE BENEFITS

(i) Short term employee benefit and contributions to defined contribution retirement plans.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(u) EMPLOYEE BENEFITS *(Cont'd)*

(ii) Retirement benefit scheme

The group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the group in independently administrated funds. The group's employer contributions vest fully with the employees when contributed to the 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 Scheme.

(iii) Share-based compensation

The group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) 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) rental income, in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the income statements as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are incurred;

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(v) REVENUE RECOGNITION

(c) grants and subsidies from the government, at their fair values when there is reasonable assurance that the grants/subsidy will be received and all attached conditions are compiled with. Grant or subsidy that compensates the Group for expenses incurred are recognised as revenue, on a systematic basis in the same periods in which the expenses are incurred. Where the grant or subsidy relates to an asset, the fair value is deducted in arriving at the carrying amount of the related asset;

(d) 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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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:

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.

Property, plant and equipment and property under development

The Group assesses annually whether property, plant and equipment and property under development have any indication of impairment. The recoverable amounts of property, plant and equipment and property under development have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates.

Impairment loss on inventories

Inventories are written down to net realizable value based on an assessment of the realisability of inventories. Impairment losses on inventories are recorded where events and changes in circumstances indicate that the balances may not be realised. The identification of impairment loss requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and impairment loss of inventories in the periods in which such estimate has been changed.

Impairment loss on trade and other receivables

In determining whether any of the trade and other receivables is impaired, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

7. 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 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.

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"), Chinese Renminbi ("RMB") and Hong Kong dollars (HKD). Approximately 98% (2006: 98 %) of the Group's sales costs are denominated in currencies other than the functional currency of the operating units making the sale, and almost 98% (2006: 98%) of costs are denominated in currencies other than the units' other functional currency.

During the years ended 31 December 2007 and 2006, the exchange rate of USD was more stable and approximately 78% (2006: 83%) of the Group's sales are denominated in these stable currencies.

The exchange rate of RMB was comparatively volatile.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign currency risk *(Cont'd)*

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of 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	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
31 December 2007			
If HKD weakens against RMB	**2.5%**	**(62)**	**(62)**
If HKD strengthens against RMB	**(2.5%)**	**62**	**62**
31 December 2006			
If HKD weakens against RMB	2.5%	55	55
If HKD strengthens against RMB	(2.5%)	(55)	(55)

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

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, amounts due from associates and jointly-controlled entities, other receivable 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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

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. A shareholder and 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.

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 HK$'000	Less than 3 months HK$'000	Held to 3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables (note 29)	–	–	6,058	–	6,058
Accruals and other payables (note 30)	–	–	64,775	–	64,775
Interest-bearing bank loans, secured (note 28)	–	8,633	–	350	8,983
Due to associates (note 21)	–	–	–	34,755	34,755
	–	8,633	70,833	35,105	114,571

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk *(Cont'd)*

Group *(Cont'd)*

31 December 2006

	On demand HK$'000	Less than 3 months HK$'000	Held to 3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables (note 29)	–	–	24,840	–	24,840
Accruals and other payables (note 30)	–	–	37,890	–	37,890
Interest-bearing bank loans, secured (note 28)	144,084	–	–	398	144,482
Due to a director (note 31)	–	–	–	4,590	4,590
Due to associates (note 21)	38,579	–	–	–	38,579
	182,663	–	62,730	4,988	250,381

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 HK$'000	**Less than 3 months HK$'000**	**Held to 3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Accruals and other payables (note 30)	**–**	**–**	**675**	**–**	**675**
	–	**–**	**675**	**–**	**675**

31 December 2006

	On demand HK$'000	Less than 3 months HK$'000	Held to 3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accruals and other payables (note 30)	–	–	4,204	–	4,204
Due to a director (note 31)	–	–	–	4,240	4,240
	–	–	4,204	4,240	8,444

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

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.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio between 20% and 40%. Net debt includes trade payables, other payable and accruals and 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 **HK$'000**	2006 HK$'000
Trade payables (note 29)	**6,058**	24,840
Accruals and other payables (note 30)	**64,775**	37,890
Due to a director (note 31)	**–**	4,590
Interests bearing bank loans, secured (note 28)	**8,983**	144,482
Due to associates (note 21)	**34,755**	38,579
Less: Cash and cash equivalents (note 27)	**(25,349)**	(4,919)
Net debt	**89,222**	245,462
Equity attributable to equity holders	**(94,012)**	(15,535)
Total capital	**(94,012)**	(15,535)
Capital and net debt	**(183,234)**	(260,997)
Gearing ratio	**(49.0%)**	(94.0%)

8. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade discounts and returns and excludes sales taxes and intra-group transactions; and gross rental income received and receivable from investment properties during the year.

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

	2007 HK$'000	2006 HK$'000
Revenue		
Sales of merchandise		
– Optical image capturing devices	**78,659**	84,530
– Modules of optical image capturing devices	**–**	–
– Chips and other optoelectronic products	**7,568**	8,160
	86,227	92,690
Other income and gains		
Exchange gain, net	**–**	495
Interest income	**58**	114
Reversal of impairment loss on trade receivables	**–**	1,793
Subsidy income (note i)	**–**	716
Trade payables written off (note (ii))	**–**	1,412
	58	4,530
	86,285	97,220

Notes: (i) During the year ended 31 December 2006, the Group received cash subsidies from certain mainland China government bodies totaling of HK$716,000. These cash subsidies were for the Group's development of certain products.

(ii) During the year ended 31 December 2006, certain trade creditors with outstanding balance amounted to RMB2,342,000 (equivalent HK$2,296,000) took legal actions against the Group demanding for repayment of amounts due to them. As part of the settlement agreement, these creditors in total waived RMB1,440,000 (equivalent HK$1,412,000) for immediate settlement. The waiver was accounted for as other revenue in the consolidated income statement.

9. LOSS BEFORE TAXATION

The Group's loss before taxation was arrived at after charging/(crediting) the following items:

	2007	2006
	HK$'000	HK$'000
Cost of inventories sold (including depreciation)	**73,815**	67,713
Depreciation of property, plant & equipment	**3,319**	5,877
Loss on disposal of items of property, plant and equipment	**412**	208
Loss on disposal of a subsidiary	**–**	377
Minimum lease payments under operating leases on land and buildings	**671**	829
Auditors' remuneration		
– audit services	**390**	480
– other services	**380**	710
Employee benefits expense (including directors' and supervisors' remuneration) (note 10):		
Wages and salaries	**16,832**	16,633
Retirement benefits contributions	**585**	409
	17,417	17,042
Impairment loss on amount due from an associate	**–**	19,886
Impairment loss on inventories	**–**	376
Impairment loss on available-for-sale investment	**–**	1,560
Write-back of impairment loss on trade receivables	**–**	(1,793)
Amortisation of intangible assets	**148**	513
Bank interest income	**(58)**	(114)
Subsidy income	**–**	(716)
Finance Costs		
Interest on bank loans repayable within 5 years	**398**	9,814
Interest on bank loans repayable after 5 years	**–**	316
	398	10,130
Less: amounts capitalised into property under development (note)	**–**	(5,010)
	398	5,120

Note: During the year ended 31 December 2006, interest on bank loans repayable within 5 years of HK$5,010,000 was capitalised as construction expenditure included in property under development. The borrowing costs had been capitalized at a rate of 7% to 9% per annum.

10. 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 **HK$'000**	2006 HK$'000
Fees:		
Executive	**–**	–
Independent non-executive	**400**	360
Other emoluments:		
Executive:		
Salaries, allowances and benefits in kind	**1,736**	1,847
Retirement benefits contributions	**12**	24
	2,148	2,231

The number of directors whose remuneration fell within the following band is as follows

	Number of directors Year ended 31 December	
	2007	2006
Nil – HK$1,000,000	**5**	4
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	–
	6	5

10. DIRECTORS' REMUNERATION *(Cont'd)*

	For the year ended 31 December 2007			
	Fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Retirement contributions HK$'000**	**Total HK$'000**
Executive directors				
Zhang Ming (note (b))	–	380	–	380
Cheung Wai	–	1,356	12	1,368
Independent non-executive directors				
Fong Chi Wah	120	–	–	120
Lo Wai Ming (note (d))	120	–	–	120
Jin Qingjun	120	–	–	120
Wang Ruiping (note (c))	40	–	–	40
	400	**1,736**	**12**	**2,148**

During the year, no directors waived or agreed to waive any emolument; and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

	For the year ended 31 December 2006			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement contributions HK$'000	Total HK$'000
Executive directors				
Chan Man Ching (note (a))	–	503	12	515
Cheung Wai	–	1,344	12	1,356
Independent non-executive directors				
Fong Chi Wah	120	–	–	120
Lo Wai Ming (note (d))	120	–	–	120
Jin Qingjun	120	–	–	120
	360	1,847	24	2,231

Notes:

(a) Mr Chan Man Ching resigned as director on 31 December 2006.

(b) Mr Zhang Ming was appointed as executive director on 2 February 2007.

(c) Mr Wang Ruiping was appointed as an independent non-executive director on 4 May 2007.

(d) Mr Lo Wai Ming resigned as an independent non-executive director on 28 September 2007.

11. 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 whose individual remuneration fell within the range of HK$Nil to HK$1,000,000, is as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries, allowances and benefits in kind	**931**	1,218
Retirement costs	**–**	–
	931	1,218

12. TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2006: Nil).

No provision for the overseas income tax has been provided in the financial statements as the Group did not derive any overseas assessable profits in the respective jurisdictions during the year. However, a former subsidiary in the United States of America was liable to the California State income tax of HK$2,000, being the minimum amount for the company in a tax loss position, for the year ended 31 December 2006. The former subsidiary was disposed of to an independent third party pursuant to the shareholders' approval on 18 May 2006.

A reconciliation of the income tax expense applicable to loss before taxation at the statutory income tax rates to income tax expenses at the Group's effective income tax rates is as follows:

	2007 **HK$'000**	2006 HK$'000
Profit/(loss) before taxation	**87,032**	(13,048)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**15,231**	(15,211)
Tax effect of income not taxable for tax purposes	**(17,227)**	(838)
Tax effect of expenses not deductible for tax purposes	**–**	273
Tax effect of unused tax losses not recognized	**–**	21,401
Utilization of previously unrecognised tax losses	**1,996**	(5,623)
Actual tax expense	**–**	2

No provision for deferred taxation has been made as the effect of all temporary differences at the balance sheet date to the Group is immaterial.

The Group has tax losses of approximately HK$227,799,000 (2006: HK$239,205,000) which are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for a number of years. The tax losses arising from subsidiaries established in mainland China can be carried forward for five years immediately after the respective accounting year, all other tax losses do not expire under current tax legislation.

13. PROFIT FROM A DISCONTINUED OPERATION

On 30 October 2007, a share transfer agreement (the "Share Transfer Agreement") was entered into among the Company, SYSCAN Manufacturing Limited ("SML") (a wholly-owned subsidiary of the Company) and Rise Billion Investment Limited (億騰投資有限公司) ("Rise Billion"), a third party independent of and not connected with the Group. Pursuant to the Share Transfer, SYSCAN Holdings shall transfer 27,500 shares of SML to Rise Billion at a consideration of RMB126,500,000 (equivalent to approximately HK$135,335,000). Upon completion of the Share Transfer, SYSCAN Manufacturing shall cease to be a subsidiary and shall become an associate of the Group. The Share Transfer constitutes a disposal of SML under the GEM Listing Rules.

The Share Transfer was approved by the Shareholders of the Company at an extraordinary general meeting of the Company held on 27 December 2007.

SML, through its subsidiary, is engaged principally in the development of industrial properties in the People's Republic of China (the "PRC").

Details of the gain on deemed disposal of SML are set out in note 36(a) to the financial statements.

The results of SYSCAN Manufacturing for the year are presented below:

	2007 HK$'000	2006 HK$'000
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other revenue	–	19,113
Selling and distribution expenses	–	–
General and administrative expenses	–	(985)
Research and development expenses	–	–
Other operating expenses	–	–
Profit from discontinued operation	–	18,128
Finance costs	–	(2,299)
Profit before taxation	–	15,829
Income tax	–	–
Profit for the year from discontinued operation	–	15,829
Earnings per share:		
Basic, from discontinued operation	–	6.3 cents
Diluted, from discontinued operation	**N/A**	N/A

The calculation of basic earnings per share is as follows:

	2007 HK$'000	2006 HK$'000
Net profit attributable to equity holders of the Company from the discontinued operation	–	15,829

13. PROFIT FROM A DISCONTINUED OPERATION *(Cont'd)*

	Number of shares '000	'000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**409,457**	251,283

No diluted earnings per share for the year is presented as the outstanding employee share options had an anti-dilutive effect on the basic earnings per share.

14. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$127,005,000 (2006: a loss of HK$46,601,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic earnings/(loss) per share for the profit/(loss) for the year is as follows:

	2007 HK$'000	2006 HK$'000
Net profit/ (loss) attributable to equity holders of the Company	**87,032**	(11,600)

	Number of shares '000	'000
Weighted average number of ordinary shares in issue during the year	**409,457**	251,283

The calculation of basic loss per share for the loss for the year from continuing operations is as follows:

	2007 HK$'000	2006 HK$'000
Loss for the year from continuing operations	**(11,410)**	(27,429)

	Number of shares '000	'000
Weighted average number of ordinary shares in issue during the year	**409,457**	251,283

No diluted earnings/(loss) per share for the years is presented as the outstanding employee share options had an anti-dilutive effect on the basic earnings/(loss) per share.

16. INTANGIBLE ASSETS

Group
31 December 2007

	Patents HK$'000	Intellectual property HK$'000	Total HK$'000
Cost:			
At 1 January 2007	–	1,500	1,500
Exchange adjustments	–	112	112
Written off during the year	–	(789)	(789)
At 31 December 2007	–	823	823
Accumulated amortisation:			
At 1 January 2007	–	623	623
Exchange adjustments	–	47	47
Amortisation for the year	–	153	153
At 31 December 2007	–	823	823
Net book value:			
At 31 December 2007	–	–	–

31 December 2006

	Patents HK$'000	Intellectual property HK$'000	Total HK$'000
Cost:			
At 1 January 2006	2,798	1,442	4,240
Exchange adjustments	112	58	170
Disposals	(2,910)	–	(2,910)
At 31 December 2006	–	1,500	1,500
Accumulated amortisation:			
At 1 January 2006	1,218	471	1,689
Exchange adjustments	57	21	78
Amortisation for the year	382	131	513
Written back on disposal	(1,657)	–	(1,657)
At 31 December 2006	–	623	623
Net book value:			
At 31 December 2006	–	877	877

(a) At 31 December 2007, intangible assets with carrying value HK$Nil (2006: HK$877,000) has been pledged to secured the Group's bank loans (see note 28).

(b) The amortization charge for the year is included in "other operating expenses" in the consolidated income statement.

17. GOODWILL

	Group		
	Positive goodwill	**Negative Goodwill**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	4,487	–	4,487
Accumulated amortisation and impairment:			
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	(4,487)	–	(4,487)
Net book value:			
At 31 December 2006 and 2007	–	–	–

18. PROPERTY, PLANT AND EQUIPMENT

31 December 2007

	Group					
	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Furniture fixtures and office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At beginning of year	8,553	2,951	9,258	30,285	3,099	54,146
Exchange adjustments	293	222	318	2,253	106	3,192
Additions	1,539	–	259	874	1,159	3,831
Disposals	–	–	(694)	(101)	–	(795)
At 31 December 2007	10,385	3,173	9,141	33,311	4,364	60,374
Accumulated depreciation:						
At beginning of period	2,408	2,951	4,469	28,535	1,710	40,073
Exchange differences	181	222	336	2,148	129	3,016
Provided during the year	550	–	579	1,925	265	3,319
Disposals	–	–	(316)	(67)	–	(383)
At 31 December 2007	3,139	3,173	5,068	32,541	2,104	46,025
Net book value:						
At 31 December 2007	7,246	–	4,073	770	2,260	14,349

18. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

31 December 2006

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Furniture fixtures and office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At beginning of year	8,132	2,951	9,164	40,004	2,983	63,234
Exchange adjustments	421	–	271	1,163	60	1,915
Additions	–	–	337	197	363	897
Disposals	–	–	(74)	(10,002)	(307)	(10,383)
Disposals of subsidiaries	–	–	(440)	(1,077)	–	(1,517)
At 31 December 2006	8,553	2,951	9,258	30,285	3,099	54,146
Accumulated depreciation:						
At beginning of year	1,815	2,951	3,699	30,028	1,587	40,080
Exchange differences	83	–	121	451	27	682
Provided during the year	510	–	848	4,256	263	5,877
Disposals	–	–	(33)	(5,954)	(167)	(6,154)
Disposals of subsidiaries	–	–	(166)	(246)	–	(412)
At 31 December 2006	2,408	2,951	4,469	28,535	1,710	40,073
Net book value:						
At 31 December 2006	6,145	–	4,789	1,750	1,389	14,073

Notes:

(a) As the land and building held for own use cannot be allocated reliably between the land and building elements and it is cleared that only the land element is operating lease, the entire lease is classified as a finance lease and accounted for under HKAS 16 in accordance with HKAS 17.

(b) The land and building are located in Shenzhen, the PRC, and are used as research and development centre of the Group and are held under medium lease term. All land and building and plant and machinery are pledged as collateral for the Group's bank loans (see note 28).

19. PROPERTY UNDER DEVELOPMENT

		Group	
	Land	**Construction expenditure**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
At 1 January 2006	50,952	90,182	141,134
Exchange adjustments	2,039	3,606	5,645
Additions	–	10,450	10,450
At 31 December 2006	52,991	104,238	157,229
At 1 January 2007	52,991	104,238	157,229
Deemed disposal of subsidiary	(52,991)	(104,238)	(157,229)
At 31 December 2007	**–**	**–**	**–**

The leasehold land was located in Shenzhen, the PRC, for a period of 50 years up to July 2051. At 31 December 2006, the leasehold land was pledged for the bank loans granted to the Group.

As detailed in note 18, the subsidiary holding the leasehold land was deemed disposed by the Group during the year and the pledge was consequently released upon full settlement of the relate bank loans.

20. INTEREST IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**74,698**	74,698
Due from subsidiaries	**100,878**	100,878
Due to subsidiaries	**–**	–
	175,576	175,576
Less: impairment losses	**(175,576)**	(175,576)
	–	–

The amounts due from/(to) subsidiaries are unsecured and interest free. The Company has agreed not to demand for repayment of the amounts due from the subsidiaries until the subsidiaries are financially capable to do so.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Details of the principal subsidiaries as at 31 December 2007 are:

Name	Place of incorporation/ operations	Particulars of issued and paid up capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
SYSCAN Holdings Limited	British Virgin Islands/ Hong Kong	US$3	100%	–	Investment holding
SYSCAN Digital Systems Co., Ltd.	British Virgin Islands/ Hong Kong	US$24,500	–	100%	Investment holding
SYSCAN InterVision Limited	Hong Kong/PRC	HK$15,000,000	–	100%	Trading of optical image capturing devices and modules

20. INTEREST IN SUBSIDIARIES *(Cont'd)*

Name	Place of incorporation/ operations	Particulars of issued and paid up capital	Percentage of equity interest attributable to the Group Direct	Percentage of equity interest attributable to the Group Indirect	Principal activities
SYSCAN Lab., Limited	Hong Kong/PRC	HK$10,000	–	100%	Design and development of image sensor modules
Shenzhen SYSCAN Technology Co., Ltd.*	PRC	US$10,000,000	–	100%	Design, development, manufacture and sale of optoelectronic products
SYSCAN Digital Systems Co., Ltd.*	PRC	RMB15,000,000	–	100%	Design, development, manufacture and sale of optoelectronic products

* These companies are wholly owned foreign enterprises established in PRC.

21. INTEREST IN ASSOCIATES

	Group 2007 HK$'000	Group 2006 HK$'000
Share of net assets	**135,521**	33,134

21. INTEREST IN ASSOCIATES *(Cont'd)*

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affect the results, assets or liabilities of the Group:

Name of associate	Place of incorporation/ and operations	Particulars of paid up registered capital	Percentage of equity interest attributable to the Group Directly	Percentage of equity interest attributable to the Group Indirectly	Principal activities
Zhejiang SYSCAN Technology Co., Ltd. (浙江矽感科技有限公司) (i)	PRC	RMB50,000,000	–	40%	Development of computer products
Shenzhen SYSCAN Hecheng Info-tech Co., Ltd. (深圳市旭感和誠信息技術有限公司) (ii)	PRC	RMB45,000,000	–	40%	Development of computer products
SYSCAN Manufacturing Limited	BVI	US$50,000	–	45%	Investment holding

Notes:

(i) 浙江矽感科技有限公司 is a joint venture company established in mainland China to be operated for 20 years up to 2024.

(ii) 深圳市旭感和誠信息技術有限公司 is a joint venture company established in mainland China to be operated for 14 years up to 2018.

Summary of financial information on associates is as follows:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit/ (Loss) for the year HK$'000
2007					
100%	**374,506**	**13,145**	**361,361**	**72,003**	**71,998**
Group's effective interest	**163,729**	**5,258**	**158,471**	**32,401**	**32,399**
2006					
100%	95,980	13,145	82,835	20,180	(1,413)
Group's effective interest	38,392	5,258	33,134	8,072	(565)

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
GFG Asia Alliance Holdings Co., Ltd. (note)	**1,560**	1,560
Less: impairment loss	**(1,560)**	(1,560)
	–	–

Notes:

At 31 December 2006, full impairment was made to the investment of US$200,000 (equivalent HK$1,560,000) in the preference stocks of GFG Asia Alliance Holdings Co., Ltd., a company incorporated in British Virgin Islands.

23. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**20,935**	17,823
Work-in-progress	**4,513**	5,614
Finished goods	**12,170**	12,553
	37,618	35,990
Less: Impairment	**(35,196)**	(32,893)
	2,422	3,097

24. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**14,841**	21,810
Impairment	**(9,892)**	(9,892)
	4,949	11,918

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.

24. TRADE RECEIVABLES *(Cont'd)*

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$'000	HK$'000
Within 1 month	**4,790**	11,918
31 – 60 days	**159**	–
61 – 90 days	**–**	–
Over 90 days	**–**	–
	4,949	11,918

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$'000	HK$'000
Neither past due nor impaired	**4,790**	11,918
Less than 1 month past due	**159**	–
1 to 3 months (or other appropriate time bands) past due	**–**	–
Over 90 days past due	**–**	–
	4,949	11,918

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.

24. TRADE RECEIVABLES *(Cont'd)*

The Group normally grants to its customers credit periods ranging from one to three months. Aging analysis of the Group's trade receivables is as follows:

	2007 **HK$'000**	2006 HK$'000
0 to 1 month	**4,790**	12,193
1 to 2 months	**159**	–
2 to 3 months	**–**	–
3 to 12 months	**–**	–
Over 12 months	**9,892**	9,617
	14,841	21,810
Less: impairment losses for bad and doubtful debts	**(9,892)**	(9,892)
	4,949	11,918

The carrying amounts of trade receivables approximate their fair values and are mainly denominated in United States Dollars.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2007 **HK$'000**	2006 HK$'000
Prepayments	**262**	5,569
Deposits and other receivable	**25,125**	35,100
	25,387	40,669

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.

Included in the prepayments, deposits and other receivables as at 31 December 2007 was receivable of US$2,548,446 (equivalent to HK$19,907,820) (2006: US$4,500,000 equivalent to HK$35,100,000) due from the purchaser in connection with the disposal of certain subsidiaries of which the disposal was constituted a very substantial disposal of the Company as outlined in the circular dated 25 April 2006.

26. DUE FROM/(TO) ASSOCIATES

	2007 HK$'000	2006 HK$'000
Due from an associate	**20,284**	20,284
Less: impairment loss on amount due from an associate	**(20,284)**	(20,284)
	–	–
Due to associates	**(34,755)**	(38,579)

The amounts due from/(to) associates are unsecured, interest free and repayable on demand.

27. CASH AND CASH EQUIVALENTS

Group

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007 HK$'000	2006 HK$'000
USD	**1,143**	82
RMB	**14,016**	4,300

28. BANK LOANS, SECURED

	Group	
	2007 HK$'000	2006 HK$'000
Bank loans		
On demand	**–**	132,020
Within 1 year	**8,633**	12,064
After 1 year but within 5 years	**293**	258
After 5 years	**57**	140
	8,983	144,482
Current portion of bank loans	**(8,633)**	(144,084)
Non-current portion of bank loans	**350**	398

28. BANK LOANS, SECURED *(Cont'd)*

The remaining bank loans as at 31 December 2007 were secured by:

(i) the Group's leasehold land and buildings included in the property, plant and equipment with net book value of HK$7,246,000 (2006: HK$6,145,000) (see note 18);

(ii) the Group's intangible assets with net book value of HK$nil (2006: HK$877,000) (see note 16);

(iii) the Group's plant and machinery included in property, plant and equipment with net book value of HK$770,000 (2006: HK$1,750,000) (see note 18); and

(iv) the personal guarantee given by Mr Cheung Wai, the director of the Company.

29. TRADE PAYABLES

Group

The aged analysis of trade payables is as follows:

	2007	2006
	HK$'000	HK$'000
0 to 1 month	**1,168**	3,193
1 to 2 months	**3,241**	2,151
2 to 3 months	**764**	2,333
3 to 12 months	**737**	2,696
Over 12 months	**148**	14,467
	6,058	24,840

The carrying amounts of trade payables approximate their fair values and are mainly denominated in RMB.

30. ACCRUALS AND OTHER PAYABLES

Group

Included in the accruals and other payables as at 31 December 2007 was an aggregate amount of RMB57,500,000 (2006: Nil) received by the Group in relation to an aborted deemed disposal of a subsidiary.

On 28 June 2007, the Company, SYSCAN Manufacturing Limited ("SYSCAN Manufacturing") (a wholly-owned subsidiary of the Company) and Luck Fame International Investment Holdings Limited ("Luck Fame"), a third party independent of and not connected with the Group, entered into a share subscription agreement (the "Subscription"). Pursuant to the Subscription, Luck Fame would contribute a total of RMB184,000,000 (approximately HK$196,880,000) into SYSCAN Manufacturing in return for an 80% equity interest in the enlarged issued share capital of SYSCAN Manufacturing. Upon completion of the Subscription, the Group's equity interest in SYSCAN Manufacturing would be diluted to 20% and SYSCAN Manufacturing will become an associate of the Group. On 16 July 2007, Luck Fame agreed to subscribe for and Syscan Manufacturing agreed to allot and issue 40,000 new shares of US$1 each in its share capital to Luck Fame at the consideration of RMB184,000,000 (approximately HK$196,880,000) (the "Consideration") which were payable by 5 instalments to a bank account designated by the Company.

The payment due date for the 4th instalment of the Consideration in the amount of RMB34,500,000 (approximately HK$36,915,000) was 20 September 2007. As at the date hereof, the Company only received from Luck Fame the 1st, 2nd and 3rd instalments of the Consideration in the total sum of RMB57,500,000 (approximately HK$61,525,000) and RMB126,500,000 (approximately HK$135,335,000) (being the 4th and 5th instalments) remains outstanding.

The Company, Syscan Manufacturing and Luck Fame entered into a supplemental agreement on 16 October 2007 (the "Supplemental Agreement"), pursuant to which, if Luck Fame fails to make payment of RMB126,500,000 (approximately HK$135,335,000) (being the total outstanding balance of the 4th and 5th instalments of the Consideration) to the Company on or before 20 October 2007, the Company shall have the rights to terminate the Subscription and the Supplemental Agreement, retain all Consideration already received from Luck Fame and that Luck Fame does not have any rights to obtain any shares of Syscan Manufacturing.

As at 20 October 2007, the Company still has not received payment of RMB126,500,000 (approximately HK$135,335,000) from Luck Fame. In light of default of payment of the outstanding Consideration by Luck Fame for a long time, the Board announced that the Company decided to terminate the Subscription and the Supplemental Agreement with immediate effect. The Consideration already received from Luck Fame in the total sum of RMB57,500,000 (approximately HK$61,525,000) has not been refunded by the Company to Luck Fame. Syscan Manufacturing has not issued any of its shares to Luck Fame.

The Company is still in the process of seeking appropriate legal advice on the appropriateness of forfeiting the deposits of RMB57,500,000 (approximately HK$61,525,000).

Included in the accruals and other payables as at 31 December 2006 was also an amount of HK$5,000,000 being an advance from an independent third party who being a potential purchaser to acquire certain assets of the Group. The amount is unsecured, interest-free and is repayable on demand.

31. DUE TO A DIRECTOR

Group and Company

The amount due to a director in 2006 was unsecured, interest free and is repayable on demand.

32. FINANCIAL GUARANTEE CONTRACT

Company

As at 31 December 2006, the carrying amount of the bank guarantee given to banks for banking facilities granted to a subsidiary of the Group was HK$132,000,000 and was recognised in the Company's balance sheet in accordance with HKAS 39 and HKFRS 4 Amendment. The carrying amount has been written back to the Company's income statement during the year upon the deemed disposal of the subsidiary and the release of the bank guarantee.

33. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorized:		
Ordinary shares of HK$0.01 each:		
At 31 December 2006 and 31 December 2007	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each:		
At 31 December 2006 and 31 December 2007	409,457,308	4,095

On 15 February 2006, the Company entered into an underwriting agreement with the Company's Chairman and Chief Executive Officer, Mr Cheung Wai ("Mr Cheung"), as the Underwriter, who then already owned approximately 10.78% of the issued share capital of the Company, in respect of a proposed open offer to raise a funding of not less than HK$9,200,000 and not more than HK$10,300,000, before expenses of approximately HK$900,000, by way of an open offer of not less than 307,092,981 offer shares and not more than 341,667,881 offer shares at the Transfer price of HK$0.03 per open offer share on the basis of 3 offer shares for every share held by the qualifying shareholders. The Underwriter has irrevocably undertaken to the Company to take up the excluded offer shares as his entitlement under the open offer. The above transaction was detailed in the Company's announcement dated 28 February 2006.

On 7 July 2006, 28 valid applications for assured allotment were received for an aggregate of 120,090,572 offer shares. As the open offer was under-subscribed, Mr Cheung Wai as the Underwriter fulfilled his obligation to take up a total of 187,002,409 offer shares. As a result, 307,092,981 ordinary shares were allotted for a consideration of HK$9,213,000 of which HK$3,071,000 was credited to share capital and the remaining balance of HK$6,141,000 was credited to the share premium account.

33. SHARE CAPITAL *(Cont'd)*

On 18 December 2007, the Company entered into another underwriting agreement with Mr Cheung, as the Underwriter, in respect of a proposed rights issue (the "Rights Issue") to raise a funding of not less than approximately HK$16.38 million and not more than approximately HK$16.57 million before expenses by way of the Rights Issue of not less than 1,637,829,232 rights shares (the "Rights Shares") and not more than 1,656,925,232 Rights Shares at a price of HK$0.01 per Rights Share on the basis of four Rights Shares for every existing Share held. The Underwriter has irrevocably undertaken to the Company to take up the excluded Rights Shares as his entitlement under the Rights Issue. The above transaction was detailed in the Company's prospectus dated 25 February 2008.

On 12 March 2008, 1,052 valid acceptances of provisional allotment of Rights Shares have been received for a total of 1,601,194,212 Rights Shares and 1,075 valid applications for excess Rights Shares have been received for a total of 20,310,575,289 excess Rights Shares, resulting in a total of valid applications for 21,911,769,501 Rights Shares. Accordingly, the Rights Issue was over – subscribed by 20,273,940,269 Rights Shares or approximately 1,238%, based on the total number of 1,637,829,232 Rights Shares being offered under the Rights Issue. The total number of 20,310,575,289 excess Rights Shares being validly applied for by the Qualifying Shareholders represented approximately 554 times of the 36,635,020 Rights Shares available for the excess application.

34. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

Company

	Contributed surplus HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	70,121	–	(138,593)	(68,472)
Loss for the year	–	–	(46,601)	(46,601)
Shares issued (note 33)	–	6,141	–	6,141
Balance at 31 December 2006	70,121	6,141	(185,194)	(108,932)
Balance at 1 January 2007	70,121	6,141	(185,194)	(108,932)
Profit for the year	–	–	127,005	127,005
Balance at 31 December 2007	70,121	6,141	(58,189)	18,073

35. EMPLOYEE SHARE OPTIONS

The Company has three employee share option schemes, namely Share Option A, Share Option B and Share Option C.

On 2 March 2000, the Company adopted Share Option Scheme A and Scheme B under which share options to subscribe for shares of the Company may be granted under the terms and conditions stipulated in Scheme A and Scheme B.

Share Option Scheme A ceased to be effective (save for the options already granted but unexercised) upon the initial listing of the Company on 14 April 2000. At the annual general meeting of the Company held on 26 April 2002, shareholders of the Company approved the adoption of a new Share Option Scheme C and the termination of Share Option Scheme B (save for the options already granted but unexercised).

Under Share Option Scheme A, the Company may grant options to employees of the Group (including directors of the Company) and consultants of the Group to subscribe for a maximum of 5,278,400 ordinary shares of HK$0.01 each, at exercise prices ranging from HK$0.2422 to HK$0.54844 per ordinary share.

Under Share Option Scheme B, the Company may grant options to employees of the Group (including directors of the Company) to subscribe for ordinary shares of HK$0.01 each, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's Board of Directors, and will not be less than the higher of (i) the nominal value of the ordinary shares, (ii) the average of the closing price of the ordinary shares quoted on the GEM on the five business days immediately preceding the date of grant, and (iii) the closing price of ordinary shares quoted on the GEM on the date of grant, which must be a business day.

Under Share Option Scheme C, the Company may grant options to employees of the Group (including directors of the Company) or at the absolute discretion of the directors to invite any person who has contributed to the Group's business to take up options to subscribe for ordinary shares of HK$0.01 each, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's Board of Directors, and will not be less than the higher of (i) the nominal value of the ordinary shares, (ii) the average of the closing price of the ordinary shares quoted on the GEM on the five business days immediately preceding the date of grant, and (iii) the closing price of ordinary shares quoted on the GEM on the date of grant, which must be a business day.

35. EMPLOYEE SHARE OPTIONS *(Cont'd)*

The following table disclosed details of the Company's share options under Share Option Scheme A, Share Option Scheme B and Share Option Scheme C and the movements during the year ended 31 December 2007:

Date of grant	Exercise period	Subscription price per share	At 1 January 2007	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2007
I. Share Option Scheme A							
Other employees and optionees							
2 March 2000	2 March 2000 to 1 March 2010	HK$0.2422	4,296,000	–	(4,184,000)	–	112,000
			4,296,000	–	(4,184,000)	–	112,000
II. Share Option Scheme B							
Directors and Chief Executives							
19 June 2000	19 June 2001 to 18 June 2010	HK$1.65	2,000,000	–	(1,000,000)	–	1,000,000
17 January 2001	17 January 2002 16 January 2011	HK$1.03	3,600,000	–	(3,600,000)	–	–
4 December 2000	4 December 2001 to 3 December 2010	HK$0.508	–	–	–	–	–
			5,600,000	–	(4,600,000)	–	1,000,000
Other employees and optionees							
12 July 2000	12 July 2001 to 11 July 2010	HK$1.23	170,000	–	(150,000)	–	20,000
4 December 2000	4 December 2001 to 3 December 2010	HK$0.508	140,000	–	(100,000)	–	40,000
17 January 2001	17 January 2002 to 16 January 2011	HK$1.03	1,860,000	–	(1,700,000)	–	160,000
13 August 2001	13 August 2002 to 12 August 2011	HK$1.38	940,000	–	(880,000)	–	60,000
			3,110,000	–	(2,830,000)	–	280,000
			8,710,000	–	(7,430,000)	–	1,280,000

35. EMPLOYEE SHARE OPTIONS *(Cont'd)*

Date of grant	Exercise period	Subscription price per share	At 1 January 2007	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	At 31 December 2007
III. Share Option Scheme C							
Directors and chief executives							
14 May 2002	14 May 2003 to 13 May 2012	HK$0.706	–	–	–	–	–
12 November 2002	12 November 2003 to 11 November 2012	HK$0.50	–	–	–	–	–
			–	–	–	–	–
Employees working under continuous employee contracts							
14 May 2002	14 May 2003 to 13 May 2012	HK$0.706	2,940,000	–	(2,080,000)	–	860,000
14 August 2002	14 August 2003 to 13 August 2012	HK$0.50	1,670,000	–	(980,0000)	–	690,000
12 November 2002	12 November 2003 to 11 November 2012	HK$0.50	100,000	–	(100,000)	–	–
26 March 2003	26 March 2004 to 25 March 2013	HK$0.50	2,294,000	–	(1,662,000)	–	632,000
13 August 2003	13 August 2004 to 12 August 2013	HK$0.50	560,000	–	(560,000)	–	–
			7,564,000		(5,382,000)		2,182,000
Other employees and optionees							
14 May 2002	14 May 2003 to 13 May 2012	HK$0.706	260,000	–	(60,000)	–	200,000
14 August 2002	14 August 2003 to 13 August 2012	HK$0.50	1,400,000	–	(400,0000)	–	1,000,000
12 November 2002	12 November 2003 to 11 November 2012	HK$0.50	200,000	–	(200,000)	–	–
			1,860,000	–	(660,000)	–	1,200,000
Total share options			9,424,000	–	(6,042,000)	–	3,382,000

35. EMPLOYEE SHARE OPTIONS *(Cont'd)*

(a) Following the completion of the open offer of the Company (see note 33), adjustments have been made to the subscription price of and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of the Company in accordance with the terms of the Share Options Schemes with effect from 7 July 2006. The share options had been adjusted in accordance with the terms in the Share Options Schemes, the requirements set out in Rule 23.03 (13) of the GEM Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustments of the share options.

The adjustments to share options were detailed in the Company's announcement dated 2 November 2006.

(b) The adjusted subscription price and number of shares

Name of the Share Option Scheme	Original subscription per share	Original number of shares	Adjusted subscription price per share	Adjusted number of shares
	HK$		HK$	
Share Option Scheme A	0.4844	2,148,000	0.2422	4,296,000
Share Option Scheme B	3.30	1,000,000	1.65	2,000,000
	2.06	2,730,000	1.03	5,460,000
	2.46	85,000	1.23	170,000
	1.016	120,000	0.508	240,000
	2.75	470,000	1.38	940,000
Share Option Scheme C	1.412	1,660,000	0.706	3,320,000
	1.00	3,312,000	0.50	6,624,000

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash inflow from deemed disposal of subsidiaries

	2007	2006
	HK$'000	HK$'000
Net liabilities disposed of:		
Property, plant and equipment	**170,257**	–
Prepayments, deposits and other receivables	**91**	–
Accruals and other payables	**(79)**	–
Amounts due to group companies	**(262,618)**	–
Net liabilities	**(92,349)**	–
Reserve released		
Capital reserve	**(6,093)**	–
	(98,442)	–
Gain on deemed disposal of a subsidiary	**98,442**	–
	–	–
Satisfied by:		
Cash consideration	**135,335**	–
An analysis of the net inflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries is as follows:		
Cash consideration received	**135,335**	–
Less: Cash and bank balances disposed of	**–**	–
Net inflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	**135,335**	–

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(b) Net cash (outflow)/inflow from disposal of subsidiaries

	2007 HK$'000	2006 HK$'000
Net assets disposed of:		
Property, plant and equipment	–	1,105
Available-for-sale investment	–	7,782
Trade receivables	–	9,554
Inventories	–	6,296
Prepayments, deposits and other receivables	–	30,630
Cash and bank balances	–	4,487
Bank loans	–	(7,902)
Trade payables	–	(1,189)
Accruals and other payables	–	(15,289)
Net assets	–	35,474
Reserve released		
Exchange reserve	–	3
	–	35,477
Loss on disposal of subsidiaries	–	(377)
Consideration	–	35,100
Satisfied by:		
Cash consideration	–	35,100
Analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash consideration received	–	–
Less: Cash and bank balances disposed of	–	(4,487)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(4,487)

On 25 November 2005, the Company entered into an agreement with Mr Wan Han ("Mr Wan"), an independent third party, pursuant to which the Company agreed to dispose of the entire share of Syscan Imaging Limited ("SIL") at a consideration of US$4,500,000 (equivalent HK$35,100,000). On 7 March 2006, the Company and Mr. Wan entered into a supplemental agreement in connection with the same transaction.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(b) Net cash (outflow)/inflow from disposal of subsidiaries *(Cont'd)*

The disposal constituted a very substantial disposal of the Company as outlined in the circular dated 25 April 2006. On 18 May 2006, the disposal was approved by the shareholders at the Special General Meeting.

The directors had no access to the books and records of SIL and its subsidiaries (the "Disposed Group") except for the unaudited management account for the period from 1 January 2006 to 18 May 2006 (date of disposal) (the "unaudited management account"). Accordingly, the result for the period from 1 January 2006 to 18 May 2006 has been incurred in the consolidated income statement. Based on the net assets value as at 18 May 2006, the loss on disposal of the Disposed Group amounted to HK$377,000 was accounted for in the consolidated income statement and other amounts related to the Disposed Group included in the consolidated cash flow statement.

(c) Significant non-cash transactions

On 31 December 2006, the Company entered into an agreement with a former subsidiary for the disposal of certain plant and machinery and patents by the Company to settle the amount owed by the Group to the former subsidiary. The disposal resulted in a gain of HK$15,904,000.

	2007	2006
	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment	–	4,048
Intangible assets	–	1,253
		5,301
Liabilities settled	–	21,205
Gain on disposal of intangible assets and machinery	–	15,904

37. EMPLOYEE RETIREMENT BENEFITS

From 1 December 2000, the Group had arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contributed scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

As stipulated by rules and regulations in mainland China, the Group contributes to state-sponsored retirement plans for its employees in mainland China. The Group contributes approximately 9% (2006: approximately 9%) of the basic salaries of its employees, and has no further obligations for the actual payment of pension or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the year ended 31 December 2007, the aggregate contributions of the Group to the aforementioned retirement benefit schemes were approximately HK$547,000 (2006: HK$409,000). At 31 December 2007, there were no forfeitures available to offset the Group's future contributions (2006: Nil).

38. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segment

The Group comprises the following main business segments:

(i) Optical image capturing devices unit: the manufacturing and selling of optical image capturing devices.

(ii) Modules unit: the manufacturing and selling of modules of optical image capturing devices.

(iii) Chips and other optoelectronic products unit: the manufacturing and selling of chips and other optoelectronic products.

(iv) LCD and CRT monitors.

38. SEGMENT REPORTING *(Cont'd)*

(a) Business segment *(Cont'd)*

31 December 2007

	Optical image capturing devices unit HK$'000	Modules unit HK$'000	Chips and other opto-electronic products unit HK$'000	LCD and CRT monitors HK$'000	Total HK$'000
Revenue	78,659	–	7,568	–	86,227
Segment result	(10,387)	–	(1,000)	–	(11,387)
Unallocated operating income and expenses					375
Loss from operation					(11,012)
Finance costs					(398)
Gain on deemed disposal of a subsidiary					98,442
Income tax					–
Profit for the year					87,032
Depreciation and amortisation	3,028	–	291	–	3,319
Impairment loss on:					
– goodwill	–	–	–	–	–
Segment assets	188,494	–	20,100	–	208,594
Segment liabilities	103,541	–	11,041	–	114,582
Capital expenditure	3,495	–	336	–	3,831

38. SEGMENT REPORTING *(Cont'd)*

(a) Business segment *(Cont'd)*

31 December 2006

	Optical image capturing devices unit HK$'000	Modules unit HK$'000	Chips and other opto-electronic products unit HK$'000	LCD and CRT monitors HK$'000	Total HK$'000
Revenue	84,530	–	8,160	–	92,690
Segment result	(4,964)	–	(479)	–	(5,443)
Unallocated operating income and expenses					756
Loss from operation					(4,687)
Finance costs					(7,419)
Negative goodwill on acquisition of a subsidiary					–
Gain on deemed disposal of a subsidiary					–
Loss on disposal of subsidiaries					(377)
Share of losses of associates					(565)
Income tax					(2)
Loss for the year					(13,050)
Depreciation and amortisation	5,827	–	563	–	6,390
Impairment loss on:					
– goodwill	–	–	–	–	–
– available-for-available investments	1,560	–	–	–	1,560
Segment assets	242,506	–	23,410	–	265,916
Segment liabilities	228,338	–	22,043	–	250,381
Capital expenditure	818	–	79	–	897

38. SEGMENT REPORTING *(Cont'd)*

(b) Geographical segment

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.

31 December 2007

	PRC HK$'000	**The United States of America HK$'000**	**Others HK$'000**	**Total HK$'000**
Revenue	**14,840**	**66,804**	**4,583**	**86,227**
Segment assets	**208,594**	**–**	**–**	**208,594**

31 December 2006

	PRC HK$'000	The United States of America HK$'000	Others HK$'000	Total HK$'000
Revenue	13,276	77,116	2,298	92,690
Segment assets	217,913	–	48,003	265,916

39. COMMITMENTS

(a) The Group did not have capital commitment as at the balance sheet date.

39. COMMITMENTS *(Cont'd)*

(b) Operating lease commitment – Group

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	HK$'000	HK$'000
As lessee:		
Within one year	**1,079**	37
In the second to fifth years, inclusive	**924**	–
After five years	**–**	–
	2,003	37
As lessor:		
Within one year	**–**	371
In the second to fifth years, inclusive	**–**	177
After five years	**–**	–
	–	548

(c) The Company did not have capital and operating lease commitment as at the balance sheet date.

40. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

41. LITIGATION

On 6 January 2006, the major banker, Bank of China ("BOC"), Shenzhen, mainland China, took legal action against the Company and Syscan Optoelectronics Technology (Shenzhen) Co., Limited ("SOT"), an indirect wholly owned subsidiary of the Company, in respect of SOT's default on repayment of interest of RMB1,200,000 (equivalent HK$1,153,000) accrued up to 21 December 2005 on a bank loan of RMB120,000,000 (equivalent HK$115,385,000) granted from BOC on 22 April 2005. BOC claimed against the Company and SOT for repayment of the loan and accrued interest totalling RMB121,240,000 (equivalent HK$116,577,000) as at 31 December 2005 and applied to freeze the leasehold land of SOT. On 2 March 2006, the Company received a writ of summons issued from the Guangdong Province Higher People's Court lodged by BOC against the Company and SOT for the above claim. The above transaction was detailed in the Company's announcement dated 3 March 2006.

Pursuant to the Share Subscription Agreement, as stipulated in the Group's announcements dated 17 July 2007 and 23 October 2007, and subsequently the Share Transfer Agreement, as stipulated in the Group's announcements and circular dated 8 November and 30 November 2007 respectively, the Group had disposed of its 55% equity interest in SYSCAN Manufacturing for the repayment of debts owned by SOT to the BOC.

As of 31 December 2007, the Group had paid off the loan and accrued interest to BOC and the writ was withdrawn by BOC in December 2007.

42. RELATED PARTY TRANSACTIONS

Details of the open offer and rights issue underwritten by Mr Cheung Wai (Mr Cheung, an executive director of the Company) in 2006 and 2007 are set out in note 33.

Compensation of key management personnel of the Group

	Group	
	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**1,736**	1,847
Post-employment benefits	**–**	–
Share-based payments	**–**	–
Total compensation paid to key management personnel	**1,736**	1,847

43. 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

Group

Financial assets

	Financial assets at fair value through profit and loss - designated as such upon initial recognition HK$'000	- held for trading HK$'000	Held to maturity investments HK$'000	Loans and receivables HK$'000	Available for-sale financial assets HK$'000	Total HK$'000
Trade receivable (note 24)	–	–	–	4,949	–	4,949
Financial assets included in prepayments, deposits and other receivable (note 25)	–	–	–	25,387	–	25,387
Pledged deposits	–	–	–	–	–	–
Cash and cash equivalents (note 27)	–	–	–	25,349	–	25,349
	–	–	–	55,685	–	55,658

Financial liabilities

	Financial liabilities at fair value thought profit and loss - designated as such upon initial recognition HK$'000	-held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables (note 29)	–	–	6,058	6,058
Financial liabilities included in Other payables and accruals (note 30)	–	–	64,775	64,775
Due to associates (note 26)	–	–	34,755	34,755
Interest-bearing and other borrowings (note 28)	–	–	8,983	8,983
	–	–	114,571	114,571

43. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

31 December 2006

Group

Financial assets

	Financial assets at fair value through profit and loss - designated as such upon initial recognition HK$'000	- held for trading HK$'000	Held to maturity investments HK$'000	Loans and receivables HK$'000	Available for-sale financial assets HK$'000	Total HK$'000
Trade receivable (note 24)	–	–	–	11,918	–	11,918
Financial assets included in prepayments, deposits and other receivable (note 25)	–	–	–	40,669	–	40,669
Pledged deposits	–	–	–	–	–	–
Cash and cash equivalents (note 27)	–	–	–	4,919	–	4,919
	–	–	–	57,506	–	57,506

Financial liabilities

	Financial liabilities at fair value through profit and loss - designated as such upon initial recognition HK$'000	- held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables (note 29)	–	–	24,840	24,840
Financial liabilities included in other payables and accruals (note 30)	–	–	37,890	37,890
Amount due to a director (note 31)	–	–	4,590	4,590
Due to associates (note 26)	–	–	38,579	38,579
Interest-bearing and other borrowings (note 28)	–	–	144,482	144,482
	–	–	250,381	250,381

43. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

31 December 2007

Company

Financial assets

	Financial assets at fair value through profit and loss – designated as such upon initial recognition HK$'000	– held for trading HK$'000	Held to maturity investments HK$'000	Loans and receivables HK$'000	Available for-sale financial assets HK$'000	Total HK$'000
Financial assets included in prepayments, deposits and other receivable (note 25)	–	–	–	20,480	–	20,480
Cash and cash equivalents (note 27)	–	–	–	2,363	–	2,363
	–	–	–	22,843	–	22,843

Financial liabilities

	Financial liabilities at fair value through profit and loss – designated as such upon initial recognition HK$'000	– held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals (note 26)	–	–	675	675
Due to a director (note 31)	–	–	–	–
	–	–	675	675

43. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

31 December 2006

Company

Financial assets

	Financial assets at fair value through profit and loss – designated as such upon initial recognition HK$'000	– held for trading HK$'000	Held to maturity investments HK$'000	Loans and receivables HK$'000	Available for-sale financial assets HK$'000	Total HK$'000
Financial assets included in prepayments, deposits and other receivable (note 25)	–	–	–	35,616	–	35,616
Cash and cash equivalents (note 27)	–	–	–	11	–	11
	–	–	–	35,627	–	35,627

Financial liabilities

	Financial liabilities at fair value through profit and loss – designated as such upon initial recognition HK$'000	– held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals (note 30)	–	–	4,204	4,204
Due to a director (note 31)	–	–	4,240	4,240
	–	–	8,444	8,444

44. POST BALANCE SHEET EVENTS

Apart from the right issues detailed in note 33, there were no events taken place subsequent to 31 December 2007.

45. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current's year presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2008.