1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- the manufacture and sale of telecom and electronic products, accessories and components;
- the manufacture and sale of baby products; and
- holding of securities and properties.

During the year, the Company changed its domicile from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continued as an exempted company under the laws of Bermuda. The change of domicile became effective on 9 December 2005.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Statements ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. 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 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 in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 23, 27, 28, 31, 33, 37 and 38, HKFRS 5, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 — Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. 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.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 — Financial Instruments

(i) *Equity securities*

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses on an individual basis. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of approximately HK$4 million are designated as available-for-sale investments under the transitional provisions of HKAS 39 and are stated at cost less any impairment losses.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKAS 32 and HKAS 39 — Financial Instruments *(Continued)*

(i) *Equity securities (Continued)*

In prior years, the Group classified its investments in equity securities held for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of approximately HK$3 million are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(ii) *Convertible bonds*

In prior years, convertible bonds were stated at amortised cost. Upon the adoption of HKAS 32, convertible bonds are split into liability and equity components. The effects of the above changes are summarised in note 2.4 to the financial statements.

(iii) *Derivative financial instruments — forward currency contracts*

The Group uses forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. The adoption of HKAS 40 has had no significant impact on the financial statements.

(d) HKFRS 2 — Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 January 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003, 2004 and 2005.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(e) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated retained profits in the year of acquisition and was not recognised in the consolidated income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated retained profits remains eliminated against the consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK (IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK (IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 — Financial Reporting in Hyperinflationary Economies

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 January 2005

Effect of new policies (Increase/(decrease)) HK$ million	Previous accounting policies	Effect of adopting: HKAS 17* Prepaid land lease payments	HKAS 8* Changes in accounting policy adopted by an associate	HKAS 32* & HKAS 39# Change in classification of financial assets	HKAS 40# Share of surplus on revaluation of investment properties by minority interests	Total effect on adoption of HKFRSs & HKASs	Adoption of HKFRSs & HKASs
Assets:							
Fixed assets	1,621	(1,621)	—	—	—	(1,621)	—
Property, plant and equipment	—	1,273	—	—	—	1,273	1,273
Investment properties	—	101	—	—	—	101	101
Prepaid land lease payments	—	225	—	—	—	225	225
Interests in an associate	293	—	(71)	—	—	(71)	222
Prepayment, deposits and other receivables	26	5	—	—	—	5	31
Cash and cash equivalents	832	—	—	(62)	—	(62)	770
Held-to-maturity financial assets	—	—	—	18	—	18	18
Financial assets at fair value through profit or loss	—	—	—	44	—	44	44
Total equity:							
Issued capital	42	—	—	—	—	—	42
Share premium	1,250	—	—	—	—	—	1,250
Capital reserve	1,060	—	—	—	—	—	1,060
Accumulated losses	(61)	(17)	(71)	(1)	(8)	(97)	(158)
Proposed final dividend	8	—	—	—	—	—	8
Minority interests	196	—	—	1	8	9	205
	2,495	(17)	(71)	—	—	(88)	2,407

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect on the consolidated balance sheet *(Continued)*

At 31 December 2005

Effect of new policies (Increase/(decrease)) HK$ million	Previous accounting policies	Effect of adopting: HKAS 17* Prepaid land lease payments	HKAS 32* & HKAS 39# Change in classification of financial assets	HKAS 32# Convertible bonds	HKAS 40# Share of surplus on revaluation of investment properties by minority interests	Total effect on adoption of HKFRSs & HKASs	Adoption of HKFRSs & HKASs
Assets:							
Fixed assets	1,755	(1,755)	—	—	—	(1,755)	—
Property, plant and equipment	—	1,253	—	—	—	1,253	1,253
Investment properties	—	257	—	—	—	257	257
Prepaid land lease payments	—	220	—	—	—	220	220
Other assets	12	—	(12)	—	—	(12)	—
Long term investments	239	—	(239)	—	—	(239)	—
Short term investments	4	—	(4)	—	—	(4)	—
Prepayment, deposits and other receivables	45	5	—	—	—	5	50
Cash and cash equivalents	605	—	(77)	—	—	(77)	528
Held-to-maturity financial assets	—	—	18	—	—	18	18
Available-for-sale financial assets	—	—	569	—	—	569	569
Financial assets at fair value through profit or loss	—	—	61	—	—	61	61
Forward currency contracts	—	—	1	—	—	1	1
Liabilities:							
Convertible bonds	104	—	—	(27)	—	(27)	77
Forward currency contracts	—	—	1	—	—	1	1
Total equity:							
Issued capital	65	—	—	—	—	—	65
Distributable reserve	1,417	—	—	—	—	—	1,417
Capital reserve	741	—	—	—	—	—	741
Investment revaluation reserve	—	—	320	—	—	320	320
Equity component of convertible bonds	—	—	—	31	—	31	31
Exchange fluctuation reserve	1	—	—	—	—	—	1
Retained profits	86	(20)	(4)	(4)	(4)	(32)	54
Proposed final dividend	13	—	—	—	—	—	13
Minority interests	64	—	—	—	4	4	68
	2,387	(20)	316	27	—	323	2,710

* adjustments which take effect retrospectively

\# adjustments which take effect prospectively from 1 January 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

	Effect of adopting				
Effect of new policies (Increase/(decrease)) HK$ million	**HKAS 17* Amortisation of prepaid land lease payment**	**HKAS 8* Changes in accounting policy adopted by associate**	**HKAS 32* Convertible bonds in non-wholly owned subsidiary**	**HKAS 40# Share of surplus on revaluation of investment properties by minority interests**	**Total effect on adoption of HKFRSs & HKASs**
1 January 2004					
Accumulated losses	(14)	(124)	(2)	—	(140)
Minority interests	—	—	2	—	2
	(14)	(124)	—	—	(138)
1 January 2005					
Accumulated losses	(17)	(71)	(1)	(8)	(97)
Minority interests	—	—	1	8	9
	(17)	(71)	—	—	(88)

* adjustments which take effect retrospectively

\# adjustments which take effect prospectively from 1 January 2005

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

	Effect of adopting		Total effect on adoption of HKFRSs & HKASs
HK$ million	**HKAS 17***	**HKAS 32* & HKAS 39#**	
Year ended 31 December 2005			
Decrease in depreciation	**2**	**—**	**2**
Increase in amortisation of prepaid land lease payments	**(5)**	**—**	**(5)**
Increase in finance costs	**—**	**(5)**	**(5)**
Total decrease in profit	**(3)**	**(5)**	**(8)**
Decrease in basic earnings per share (HK$)	**(0.006)**	**(0.010)**	**(0.016)**
Decrease in diluted earnings per share (HK$)	**(0.005)**	**(0.008)**	**(0.013)**

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004 *(Continued)*

HK$ million	Effect of adopting HKAS 17*	Effect of adopting HKAS 8*	Total effect on adoption of HKFRSs & HKASs
Year ended 31 December 2004			
Decrease in depreciation	2	—	2
Increase in amortisation of prepaid land lease payments	(5)	—	(5)
Increase in share of profit of an associate	—	51	51
Decrease in tax	—	2	2
Total increase/(decrease) in profit	(3)	53	50
Increase/(decrease) in basic earnings per share (HK$)	(0.007)	0.126	0.119
Increase/(decrease) in diluted earnings per share (HK$)	(0.007)	0.121	0.114

* adjustments which take effect retrospectively

\# adjustments which take effect prospectively from 1 January 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

Goodwill arising on 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, any unamortised goodwill is included in the carrying amount thereof, rather than 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 recognised.

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.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated retained profits and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets), 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 costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

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 such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and 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 the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Leasehold land and buildings	2.5%–6%
Plant and machinery	10%–30%
Tools, moulds and equipment	10%–20%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

Construction in progress

Construction in progress represents buildings under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the 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 lease payments 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.

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.

Deferred 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 accumulated amortisation and any impairment losses, and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Applicable to the year ended 31 December 2004:

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any impairment losses, on an individual membership basis.

Long term investments

Long term investments are stated at cost less any impairment losses, on an individual investment basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis, as determined by the directors having regard to the prices of the most recent reported sales or purchases of the securities, or professional valuations performed at the end of each financial year. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement for the period in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, 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 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, i.e., the date that the Group commits to purchase 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 classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Applicable to the year ended 31 December 2005: *(Continued)*

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 carried at amortised cost using the effective interest method. 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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments 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 three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity 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 at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (applicable to the year ended 31 December 2005)

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments 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 profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

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 flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (applicable to the year ended 31 December 2005)

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 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.

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, where 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.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds

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

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

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

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 profit or loss.

Derivative financial instruments and hedging (applicable to the year ended 31 December 2005)

The Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Inventories

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefits scheme for those employees who are eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that when an employee leaves this scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

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

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

Cash and cash equivalents

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

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

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, on a time proportion basis over the lease terms;

(c) 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; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or capital reserve within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments — Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Classification between interest in an associate and available-for-sale financial assets

As further explained in note 20 to the financial statements, the Group has determined that upon the resignation of the directors nominated by the Group to the board of directors of Haier Electronics Group Co., Ltd. ("Haier Electronics"), a former associate, on 28 January 2005, the Group ceased to be in a position to exercise significant influence over Haier Electronics, notwithstanding that the Group's shareholding in Haier Electronics was 24% as at 31 December 2005 because appointment of new directors nominated by shareholders needs to be approved by shareholders at general meetings, and the majority holding by Haier Group Corporation in Haier Electronics effectively precludes such appointment from other shareholders. Accordingly, the Group's interest in Haier Electronics was ceased to be accounted for as an associate and was reclassified to available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Disposal and subsequent buy-back of interest in a subsidiary subject to a put option

During the year, in order to restore the public float of CCT Tech International Limited ("CCT Tech"), a listed subsidiary of the Company, the Company, Jade Assets Company Limited ("Jade Assets") (a wholly-owned subsidiary of the Company) and a third party (the "Purchaser") entered into a sale and purchase agreement dated 22 July 2005 for the sale of 1.5 billion shares in CCT Tech (the "CCT Tech Sale Shares") (representing 9.4% of the then issued share capital of CCT Tech) owned by Jade Assets to the funds under management by the Purchaser at a price of HK$0.02 per share of CCT Tech with a put option granted to the Purchaser which is exercisable within 14 business days immediately after 21 January 2006 requiring the Company to repurchase the CCT Tech Sale Shares at HK$0.023 per share.

In December 2005, the Company, Jade Assets and the Purchaser entered into a supplemental agreement under which Jade Assets bought back the CCT Tech Sale Shares at HK$0.023 per share and the put option granted to the Purchaser was cancelled. The supplemental agreement was completed on 22 December 2005. Details of the disposal and subsequent buy-back of the CCT Tech Sale Shares were set out in the Company's circulars to shareholder dated 15 August 2005 and 6 January 2006, respectively.

The Group has determined that it has neither transferred nor retained substantially all the risks and rewards associated with the CCT Tech Sale Shares, but retained control over the CCT Tech Sales Share for accounting purposes. Accordingly, the Group has accounted for the proceeds of HK$30 million received from the Purchaser as a liability upon the disposal of the CCT Tech Sale Shares and accounted for the amount of HK$4.5 million (representing the difference between the consideration for the disposal and subsequent buy-back of the CCT Tech Sale Shares) as finance cost upon the buy-back of the CCT Tech Sale Shares.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$110 million (2004: HK$28 million). More details are given in note 18.

4. SEGMENT INFORMATION

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

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

(a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products, accessories and components;

(b) the baby products segment engages in the manufacture and sale of baby products;

(c) the investment segment engages in investment in securities and properties; and

(d) the corporate and others segment comprises corporate income and expense items.

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.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue and profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Telecom and electronic products		Baby products		Investment		Corporate and others		Consolidated	
HK$ million	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Segment revenue:										
Sales to external customers	3,846	3,906	124	146	2	—	—	—	3,972	4,052
Other revenue	—	—	—	—	2	—	23	39	25	39
Total revenue	3,846	3,906	124	146	4	—	23	39	3,997	4,091
Segment results	189	222	6	14	165	1	(74)	(77)	286	160
Interest income									8	5
Unallocated expenses									—	(3)
Finance costs									(23)	(6)
Share of profit of an associate	—	—	—	—	—	—	—	49	—	49
Profit before tax									271	205
Tax									(18)	(18)
Profit for the year									253	187
Segment assets	2,800	2,482	76	99	817	108	622	974	4,315	3,663
Interest in an associate	—	—	—	—	—	—	—	—	—	222
Unallocated assets									3	4
Total assets									4,318	3,889
Segment liabilities	1,095	982	18	43	2	—	13	50	1,128	1,075
Unallocated liabilities									480	407
Total liabilities									1,608	1,482
Other segment information:										
Capital expenditure	241	229	1	20	—	—	14	142	256	391
Depreciation	96	100	3	3	—	—	23	22	122	125
Amortisation	35	35	—	—	—	—	—	1	35	36
Impairment losses recognised directly in the income statement	—	—	—	—	2	—	10	—	12	—
Other non-cash expenses	33	87	—	2	—	—	1	3	34	92
Reversal of impairment losses for properties	—	—	—	—	64	—	2	—	66	—
Gain on disposal and deemed disposal of interest in an associate	—	—	—	—	109	—	—	—	109	—

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group

	United States of America		PRC, including HK		European Union		Others		Consolidated	
HK$ million	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Segment revenue:										
Sales to external customers	**2,360**	2,516	**929**	701	**460**	139	**223**	696	**3.972**	4,052
Other revenue	**—**	—	**25**	39	**—**	—	**—**	—	**25**	39
Total revenue	**2,360**	2,516	**954**	740	**460**	139	**223**	696	**3,997**	4,091

Over 90% of the Group's assets are located in Hong Kong and the Mainland of the People's Republic of China (the "PRC"). Accordingly, no separate analysis of assets and capital expenditure by geographical segment is presented.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and income from investments and rental income from investment properties.

Revenue from the following activities has been included in turnover:

HK$ million	**2005**	2004
Revenue		
Manufacture and sale of telecom and electronic products	**3,846**	3,906
Manufacture and sale of baby products	**124**	146
Rental income from investment properties	**2**	—
Interest income	**8**	5
	3,980	4,057

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

HK$ million	Notes	Group 2005	Group 2004 (Restated)
Cost of inventories sold		**3,044**	3,563
Depreciation	14	**122**	125
Amortisation of prepaid land lease payments	16	**5**	5
Minimum lease payments under operating leases in respect of land and buildings		**4**	3
Research and development costs:			
Deferred expenditure amortised*	17	**30**	30
Current year expenditure		**54**	48
Goodwill amortisation and impairment**	18	**7**	1
Auditors' remuneration		**6**	6
Employee benefits expense (excluding directors' remuneration — note 8)			
Wages and salaries		**379**	356
Pension scheme contributions****		**3**	3
Less: Amount capitalised in deferred development cost		**(30)**	(28)
		352	331
Bad and doubtful debt provisions on trade receivables**		**15**	3
Provisions for and write off of prepayment and other receivables**		**—**	33
Loss/(gain) on disposal of items of property, plant and equipment, net**		**1**	(1)
Impairment loss on items of property, plant and equipment**	14	**1**	—
Write off of items of property, plant and equipment**	14	**1**	2
Write off of deferred development costs**	17	**8**	15
Write-down of inventories to net realisable value*		**8**	36
Foreign exchange losses/(gains), net		**13**	(9)
Compensation for release of guarantee**	40(a)	**36**	—
Fair value loss on financial assets at fair value through profit or loss**		**2**	—
Impairment loss on available-for-sale financial assets**		**2**	—
and after crediting:			
Net gain on disposal/deemed disposal of subsidiaries***		**42**	10
Gain on disposal and deemed disposal of interest in an associate***	20	**109**	—
Gross rental income from investment properties		**2**	—
Reversal of impairment losses for properties**	14	**66**	—

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses" on the face of the consolidated income statement.

*** Included in "Other income and gains" on the face of the consolidated income statement.

**** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

7. FINANCE COSTS

	Group	
HK$ million	**2005**	2004
Interest on bank loans and overdrafts wholly repayable within five years	**7**	3
Interest on bank loans wholly repayable after five years	**6**	3
Interest on convertible bonds (note 33)	**5**	—
Interest on other liability	**5**	—
	23	6

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
HK$ million	**2005**	2004
Fees:		
Executive directors	**—**	—
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**20**	18
Performance related bonuses*	**12**	13
Pension scheme contributions	**1**	1
	33	32
	34	33

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

HK$'000	**2005**	2004
Samuel Olenick	**240**	240
Tam King Ching, Kenny	**240**	240
Lau Ho Man, Edward	**240**	240
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

(b) Executive directors

HK$ million	**Salaries, allowances and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total remuneration**
2005				
Mak Shiu Tong, Clement	**12**	**5**	**1**	**18**
Tam Ngai Hung, Terry	**4**	**4**	**—**	**8**
Cheng Yuk Ching, Flora	**4**	**3**	**—**	**7**
William Donald Putt	**—**	**—**	**—**	**—**
	20	**12**	**1**	**33**
2004				
Mak Shiu Tong, Clement	11	5	1	17
Tam Ngai Hung, Terry	4	5	—	9
Cheng Yuk Ching, Flora	3	3	—	6
William Donald Putt	—	—	—	—
	18	13	1	32

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees for the year are as follows:

	Group	
HK$ million	**2005**	2004
Salaries, allowances and benefits in kind	**5**	5
Performance related bonuses	**3**	3
Pension scheme contributions	**—**	—
	8	8

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

	Number of employees	
	2005	2004
HK$2,000,001 – HK$2,500,000	**1**	—
HK$2,500,001 – HK$3,000,000	**—**	1
HK$5,500,001 – HK$6,000,000	**—**	1
HK$6,000,001 – HK$6,500,000	**1**	—
	2	2

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Certain PRC subsidiaries of the Group, which are categorised as wholly-foreign-owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC income tax for two years starting from their first profit-making year following by a 50% reduction for the next three consecutive years.

10. TAX *(Continued)*

HK$ million	Group 2005	Group 2004 (Restated)
Current — Hong Kong:		
Charge for the year	**12**	14
Overprovision in prior years	**(1)**	(3)
Current — Elsewhere		
Charge for the year	**7**	3
Underprovision in prior years	**1**	1
Deferred — note 34	**(1)**	3
Total tax charge for the year	**18**	18

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

Group — 2005

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit before tax	**163.2**		**107.7**		**270.9**	
Tax at the statutory or appropriate tax rate	**28.6**	**17.5**	**35.5**	**33.0**	**64.1**	**23.6**
Higher/(lower) tax rate for specific provinces or local authority	**—**	**—**	**(25.7)**	**(23.8)**	**(25.7)**	**(9.5)**
Adjustment in respect of current tax of previous periods	**(1.4)**	**(0.9)**	**1.4**	**1.4**	**—**	**—**
Income not subject to tax	**(107.2)**	**(65.6)**	**(16.8)**	**(15.6)**	**(124.0)**	**(45.8)**
Expenses not deductible for tax	**89.9**	**55.0**	**31.9**	**29.6**	**121.8**	**45.0**
Tax losses utilised from previous periods	**(2.4)**	**(1.4)**	**—**	**—**	**(2.4)**	**(0.9)**
Tax losses not recognised	**4.3**	**2.6**	**—**	**—**	**4.3**	**1.6**
Tax exemption	**—**	**—**	**(18.7)**	**(17.4)**	**(18.7)**	**(6.9)**
Temporary differences not recognised	**(2.3)**	**(1.4)**	**0.8**	**0.7**	**(1.5)**	**(0.5)**
Tax charge at the Group's effective rate	**9.5**	**5.8**	**8.4**	**7.9**	**17.9**	**6.6**

10. TAX *(Continued)*

Group — 2004

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit/(loss) before tax	(33.2)		238.2		205.0	
Tax at the statutory or appropriate tax rate	(5.8)	17.5	57.2	24.0	51.4	25.1
Higher/(lower) tax rate for specific provinces or local authority	—	—	(22.0)	(9.2)	(22.0)	(10.7)
Adjustments in respect of current tax of previous periods	(2.8)	8.4	1.2	0.5	(1.6)	(0.8)
Profits and losses attributable to an associate	2.1	(6.3)	(14.6)	(6.1)	(12.5)	(6.1)
Income not subject to tax	(85.5)	257.5	(6.8)	(2.9)	(92.3)	(45.0)
Expenses not deductible for tax	104.5	(314.8)	24.0	10.1	128.5	62.7
Tax losses recognised	(2.5)	7.5	1.4	0.6	(1.1)	(0.5)
Tax losses not recognised	1.6	(4.8)	5.0	2.1	6.6	3.2
Tax exemption	—	—	(39.5)	(16.6)	(39.5)	(19.3)
Tax charge at the Group's effective rate	11.6	(35.0)	5.9	2.5	17.5	8.5

The share of tax attributable to an associate for the year ended 31 December 2004 amounting to approximately HK$7 million is included in "Share of profit of an associate" on the face of the consolidated income statement.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company, was approximately HK$428 million (2004: HK$92 million) (note 37(b)).

12. DIVIDENDS

HK$ million	**2005**	2004
Paid special interim — HK$0.68 (2004: HK$0.10) per ordinary share	**319**	42
Paid interim — Nil (2004: HK$0.010) per ordinary share	**—**	4
Proposed final — HK$0.020 (2004: HK$0.020) per ordinary share	**13**	8
	13	12
Total	**332**	54

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

HK$ million	**2005**	2004 (Restated)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**225**	107
Interest on convertible bonds (note 7)	**5**	—
Net profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**230**	107

	Number of shares	
	2005	2004
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**512,524,188**	422,149,984
Effect of dilution — weighted average number of ordinary shares:		
Share options	**8,941,582**	14,704,047
Convertible bonds	**102,961,814**	—
	624,427,584	436,854,031

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2005							
At 31 December 2004 and 1 January 2005:							
Cost	1,302	387	150	125	22	39	2,025
Accumulated depreciation and impairment	(365)	(204)	(91)	(79)	(13)	—	(752)
Net carrying amount	937	183	59	46	9	39	1,273
At 1 January 2005, net of accumulated depreciation and impairment	937	183	59	46	9	39	1,273
Additions	13	66	23	12	7	80	201
Disposals	(2)	(1)	—	—	(2)	—	(5)
Write off	—	—	—	(1)	—	—	(1)
Depreciation provided during the year	(48)	(36)	(21)	(14)	(3)	—	(122)
Impairment	(1)	—	—	—	—	—	(1)
Reversal of impairment	66	—	—	—	—	—	66
Reclassification	118	2	(2)	—	—	(118)	—
Transfer to investment property (note 15)	(159)	—	—	—	—	—	(159)
Exchange realignment	—	1	—	—	—	—	1
At 31 December 2005, net of accumulated depreciation and impairment	924	215	59	43	11	1	1,253
At 31 December 2005:							
Cost	1,115	430	167	120	24	1	1,857
Accumulated depreciation and impairment	(191)	(215)	(108)	(77)	(13)	—	(604)
Net carrying amount	924	215	59	43	11	1	1,253

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total (Restated)
31 December 2004							
At 1 January 2004:							
Cost	1,325	307	126	123	19	—	1,900
Accumulated depreciation and impairment	(340)	(162)	(72)	(73)	(11)	—	(658)
Net carrying amount	985	145	54	50	8	—	1,242
At 1 January 2004, net of accumulated depreciation and impairment	985	145	54	50	8	—	1,242
Additions	33	83	27	10	5	88	246
Disposals	(84)	—	(2)	2	(1)	—	(85)
Write off	—	—	—	(2)	—	—	(2)
Disposal of subsidiaries (note 38)	—	(1)	—	(2)	—	—	(3)
Depreciation provided during the year	(46)	(44)	(20)	(12)	(3)	—	(125)
Reclassification	49	—	—	—	—	(49)	—
At 31 December 2004, net of accumulated depreciation and impairment	937	183	59	46	9	39	1,273
At 31 December 2004:							
Cost	1,302	387	150	125	22	39	2,025
Accumulated depreciation and impairment	(365)	(204)	(91)	(79)	(13)	—	(752)
Net carrying amount	937	183	59	46	9	39	1,273

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

HK$ million	**Furniture and office equipment**
31 December 2005	
At 31 December 2004 and 1 January 2005, net of accumulated depreciation	**1**
Additions	**3**
Depreciation provided during the year	**(1)**
At 31 December 2005, net of accumulated depreciation	**3**
At 31 December 2005:	
Cost	**7**
Accumulated depreciation	**(4)**
Net carrying amount	**3**

HK$ million	Furniture and office equipment
31 December 2004	
At 1 January 2004, net of accumulated depreciation	1
Depreciation provided during the year	—
At 31 December 2004, net of accumulated depreciation	1
At 31 December 2004:	
Cost	5
Accumulated depreciation	(4)
Net carrying amount	1

During the year, a reversal of impairment loss of HK$66 million was recognised in the consolidated income statement to increase the carrying amount of certain properties to the recoverable amount. The recoverable amount estimation was based on fair value less costs to sell. An independent valuation was obtained to determine the fair value.

The net book value of the property, plant and equipment of the Group held under finance leases included in the total amounts of plant and machinery and motor vehicles as at 31 December 2005, amounted to approximately HK$12 million (2004: HK$14 million) and HK$6 million (2004: HK$2.4 million), respectively.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's land and buildings included above are held under the medium term leases:

HK$' million	Hong Kong	Elsewhere	Total
Medium term leases	54	870	924

At 31 December 2005, certain of the Group's land and buildings with a net book value of approximately HK$567 (2004: HK$159 million) were pledged to secure general banking facilities granted to the Group (note 31).

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2005**	2004
Carrying amount at 1 January	**101**	7
Additions	**—**	95
Disposals	**(3)**	(1)
Transfer from owner-occupied property (note 14)	**159**	—
Carrying amount at 31 December	**257**	101

The Group's investment properties are situated in Hong Kong and held under the following lease terms:

HK$ million	
Long term leases	95
Medium term leases	162
	257

The Group's investment properties were revalued on 31 December 2005 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis. Some of the investment properties have been leased to third parties under operating leases. Further details of the investment properties are included in note 42(a) to the financial statements.

At 31 December 2005, the Group's investment properties with a value of HK$254 million (2004: HK$95 million) were pledged to secure general banking facilities granted to the Group (note 31).

15. INVESTMENT PROPERTIES *(Continued)*

Further particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group
House No. 36, Carpark 3 & 4, 56 Repulse Bay Road, Hong Kong	Residential	Long term lease	100%
32/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road, Central, Hong Kong	Office building	Medium term lease	100%
Carpark No. 64 and 66 of Basement of Site No. 1, No. 26, 27, 234, 236 and 237 of Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	Residential	Medium term lease	100%

16. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2005**	2004 (Restated)
Carrying amount at 1 January		
As previously reported	**—**	—
Effect on adopting HKAS 17 (note 2.2(a))	**230**	235
As restated	**230**	235
Recognised during the year	**(5)**	(5)
Carrying amount at 31 December	**225**	230
Current portion included in prepayments, deposits and other receivables	**(5)**	(5)
Non-current portion	**220**	225

The leasehold land is held under a medium lease and is situated in the PRC.

17. OTHER INTANGIBLE ASSETS

Group

HK$ million	**Deferred development costs**
31 December 2005	
Cost at 1 January 2005, net of accumulated amortisation	**28**
Additions	**55**
Write off	**(8)**
Amortisation provided during the year	**(30)**
At 31 December 2005	**45**
At 31 December 2005:	
Cost	**76**
Accumulated amortisation	**(31)**
Net carrying amount	**45**

HK$ million	**Deferred development costs**
31 December 2004	
Cost at 1 January 2004, net of accumulated amortisation	23
Additions — internal development	50
Write off	(15)
Amortisation provided during the year	(30)
At 31 December 2004	28
At 31 December 2004:	
Cost	99
Accumulated amortisation	(71)
Net carrying amount	28

18. GOODWILL

The amounts of the goodwill capitalised as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

HK$ million	
31 December 2005	
At 1 January 2005:	
Cost as previously reported	**30**
Effect of adopting HKFRS 3 (note 2.2(e))	**(2)**
Cost as restated	**28**
Accumulated amortisation as previously reported	**(2)**
Effect of adopting HKFRS 3 (note 2.2(e))	**2**
Accumulated amortisation as restated	**—**
Net carrying amount	**28**
Cost at 1 January 2005	**28**
Acquisition of minority interests in subsidiaries	**89**
Impairment during the year	**(7)**
Net carrying amount at 31 December 2005	**110**
At 31 December 2005:	
Cost	**117**
Accumulated impairment	**(7)**
Net carrying amount	**110**

18. GOODWILL *(Continued)*

Group

HK$ million	
31 December 2004	
At 1 January 2004:	
Cost	27
Accumulated amortisation	(1)
Net carrying amount	26
Cost at 1 January 2004, net of accumulated amortisation	26
Acquisition of minority interests in subsidiaries	14
Disposal of subsidiaries (note 38)	(11)
Amortisation provided during the year	(1)
At 31 December 2004	28
At 31 December 2004:	
Cost	30
Accumulated amortisation	(2)
Net carrying amount	28

In 2004, goodwill not previously eliminated against the consolidated reserves was amortised on the straight-line basis over its estimated useful life of 20 years.

As further detailed in note 2.2 to the financial statements, the Group applied the transitional provision of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated reserves.

The cost and net amount of goodwill remaining in consolidated reserves as at 1 January 2005, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was approximately HK$103,000,000 as at 1 January 2005 and 31 December 2005.

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Telecom and electronic products cash-generating unit;
- Power supply components products cash-generating unit; and
- Property holding cash-generating unit.

18. GOODWILL *(Continued)*

Telecom and electronic products cash-generating unit

The recoverable amount of the telecom products cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Power supply components products cash-generating unit

The recoverable amount of the power supply components products cash-generating unit is determined based on estimated fair value less costs to sell. The fair value less costs to sell is estimated based on net realisable value of the underlying assets of the cash-generating unit. An impairment loss of HK$7 million was recognised to reduce the carrying amount of goodwill to nil.

Property holding cash-generating unit

The recoverable amount of the property holding cash-generating unit is determined based on estimated fair value less costs to sell. An independent valuation is obtained to determine the fair value.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

HK$ million	**2005**	2004
Telecom and electronic products	**103**	14
Power supply components products	**—**	7
Property holding	**7**	7
Carrying amount of goodwill	**110**	28

Key assumptions were used in the value in use calculation of the telecom and electronic products cash-generating unit for 31 December 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflect specific risks relating to the relevant unit.

Business environment — There is no major change in the existing political, legal and economic conditions in the countries with which and the country in which the cash-generating unit carried on its business.

19. INTERESTS IN SUBSIDIARIES

HK$ million	Company 2005	2004
Unlisted shares, at cost	**45**	113
Due from subsidiaries	**3,552**	3,993
Due to subsidiaries	**—**	(641)
	3,597	3,465
Provision for impairment	**(1,101)**	(1,602)
	2,496	1,863

The balances with the subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	84.12	Trading of telecom products
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	84.12	Sourcing of telecom products
CCT Tech International Limited@	Bermuda/Hong Kong	HK$159,384,226 Ordinary	—	84.12	Investment holding
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	—	100	Sale of telecom products
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	—	100	Investment property holding
Huge Partner Limited	Hong Kong	HK$10,000 Ordinary	—	100	Property holding
Canford Holdings Limited	Hong Kong	HK$2 Ordinary	—	100	Investment property holding
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting* class 'A' shares HK$1,000,000 Voting class 'B' shares	—	100	Trading of plastic casings and parts

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wiltec Industries Limited	Hong Kong	HK$100 Ordinary HK$1,000,000 Deferred**	—	100	Sale of baby products
CCT Tech Advanced Products Limited	Hong Kong	HK$2 Ordinary	—	84.12	Trading of advanced wireless electronic products
CCT Electronics Limited	Hong Kong	HK$2 Ordinary	—	84.12	Sale of electronic products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$80,000,000 Registered^	—	84.12	Manufacturing of telecom products
Dongguan Eswire Electronics Co. Ltd.	People's Republic of China	HK$49,597,740 Registered^	—	84.12	Manufacturing of telecom products
Dongguan CCT Digital Products Company Limited	People's Republic of China	HK$5,909,300 Registered^	—	84.12	Manufacturing of electronic products
Huiyang CCT Plastic Products Co., Ltd.	People's Republic of China	HK$48,600,000 Registered^	—	100	Manufacturing of plastic casings and parts
Dongguan Electronic Sales Products Co. Ltd.	People's Republic of China	HK$27,842,781 Registered^	—	100	Manufacturing of telecom products

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.

** The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding-up.

@ Listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

^ Registered as a wholly-foreign-owned enterprise under the PRC law.

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

20. INTEREST IN AN ASSOCIATE

Group

HK$ million	**2005**	2004 (Restated)
Share of net assets	—	222
Market value of listed shares	—	1,326

Particulars of the associate, held indirectly through subsidiaries, are as follows:

Name	Particular of issued shares held	Place of incorporation and operations	Nominal value of issued share capital as at 31 December 2004	Percentage of ownership interest attributable to the Group 2005	2004	Principal activites
Haier Electronics Group Co., Ltd.*	Ordinary shares of HK$0.1 each	Bermuda/People's Republic of China	HK$996,402,795 Ordinary	—	43.6	Investment holding

* Listed on the Stock Exchange.

Upon the completion of the placement of 419,997,667 ordinary shares of HK$0.10 each in Haier Electronics at a price of HK$0.24 per share (the "Placement") on 24 January 2005 and the completion of the acquisition of washing machines business by Haier Electronics from Haier Group Corporation and the exercise of the call option by Haier Electronics to acquire the 35.5% of the mobile handset business (the "Asset Injection") on 28 January 2005, the equity interests of the Group in Haier Electronics was reduced from 43.6% to 24%. Haier Electronics was ceased to be accounted for as the Group's associate and reclassified to available-for-sale financial assets in January 2005 as the Group ceased to be in a position to exercise significant influence over Haier Electronics after Haier Group Corporation has gained control over Haier Electronics and all the directors nominated by the Group to the board of directors of Haier Electronics resigned as directors of Haier Electronics. The Asset Injection in Haier Electronics is accounted for as a reverse acquisition under HKFRS 3 and the consolidated financial statements of Haier Electronics have been restated retrospectively by adopting the reverse acquisition accounting method. As such, the interest in Haier Electronics in the Group's financial statements in previous years has been restated accordingly. The effect of the Asset Injection and the Placement resulted in the disposal and deemed disposal of approximately 19.6% equity interests in Haier Electronics and the Group recorded a gain of approximately HK$109 million therefrom in the current year.

20. INTEREST IN AN ASSOCIATE *(Continued)*

Included in the Group's share of the net assets of its associate in prior year is the share of net assets of Haier Electronics which, in the opinion of the directors, is material in the context of the Group's financial statements. Details of the financial information of Haier Electronics and its subsidiaries in respect of the financial year ended 31 December 2004 are set out below:

HK$ million	2004 (Restated)
Assets	2,196
Liabilities	(1,507)
Revenue	5,894
Profit	149

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS/OTHER ASSETS/LONG TERM INVESTMENTS

	Group	
HK$ million	**2005**	2004
Listed equity investment in Hong Kong, at fair value	**551**	—
Unlisted equity investment, at cost less impairment	**2**	4
Other assets, at fair value	**16**	12
	569	16
Less: portion classified as current assets	**(551)**	—
Non-current assets	**18**	16

During the year, the gross gain of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$320 million (2004: Nil).

The above investments consist of investments in equity securities and club debenture which were designated as available-for-sale financial assets on 1 January 2005 and have no fixed maturity date or coupon rate. As the unlisted equity investment has no published quoted prices available, is not able to be benchmarked with similar financial instruments, and the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Group stated the unlisted equity investment at cost less impairment.

The fair value of the listed equity investment, which was sold subsequent to the balance sheet date (note 46(b)), is based on the sale consideration, net of incidental costs.

22. HELD-TO-MATURITY FINANCIAL ASSETS

HK$ million	Group and Company 2005	2004
Unlisted held-to-maturity financial assets, at amortised cost	**18**	—

The above held-to-maturity financial assts have maturities of 2 to 4 years and carry effective interest rates of 1.7% to 4.0%.

23. INVENTORIES

HK$ million	Group 2005	2004
Raw materials	**95**	67
Work in progress	**71**	50
Finished goods	**128**	98
	294	215

24. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date is as follows:

	Group			
	2005		2004	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**286**	**34**	302	38
31 to 60 days	**259**	**31**	264	33
61 to 90 days	**239**	**29**	216	27
Over 90 days	**54**	**6**	12	2
	838	**100**	794	100

The Group allows an average credit period of 30 to 90 days to its trade customers.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2005**	2004	**2005**	2004
Prepayments	**21**	9	**—**	—
Deposits and other receivables	**29**	22	**2**	3
	50	31	**2**	3

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group		Company	
HK$ million	**2005**	2004	**2005**	2004
Listed equity investments in Hong Kong, at market value	**4**	3	**—**	—
Deposits with embedded derivatives,at fair value	**57**	—	**57**	—
	61	3	**57**	—
Less: portion classified as current assets	**(24)**	(3)	**(20)**	—
Non-current assets	**37**	—	**37**	—

The above equity investments and deposits with embedded derivatives at 31 December 2005 were classified as financial assets at fair value through profit or loss.

As at 31 December 2005, the details of the company held by the Group exceeding 20% of its total issued shares are as follows:

Name	Place of incorporation	Description of shares held	Percentage holding
Tradeeasy Holdings Limited*	Cayman Islands	Ordinary shares	22.2

* Listed on the Growth Enterprise Market of the Stock Exchange.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2005**	2004	**2005**	2004
Cash and bank balances	**411**	398	**7**	33
Time deposits	**188**	551	**79**	374
	599	949	**86**	407
Less: Time deposits pledged for bank borrowings	**(71)**	(117)	**—**	(16)
	528	832	**86**	391

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$7 million (2004: HK$15 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

28. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	Group			
	2005		2004	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**290**	**29**	249	28
31 to 60 days	**243**	**25**	179	20
61 to 90 days	**167**	**17**	196	22
Over 90 days	**288**	**29**	273	30
	988	**100**	897	100

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2005**	2004	**2005**	2004
Other payables	**27**	62	**—**	—
Accruals	**112**	116	**5**	6
	139	178	**5**	6

Other payables are non-interest-bearing and have an average term of three months.

30. FORWARD CURRENCY CONTRACTS

	Group	
	2005	
HK$ million	**Asset**	**Liabilities**
Forward currency contracts	**1**	**1**

The carrying amounts of forward currency contracts are the same as their fair values.

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

HK$ million	Effective interest rate (%)	Maturity	Group 2005	Group 2004	Company 2005	Company 2004
Current						
Finance lease payables (note 32)	2.5–3	2006	**6**	5	**—**	—
Bank loans — unsecured	5.62–6.75	2006	**46**	—	**—**	—
Bank loans — secured	4.25–6.75	2006	**106**	145	**—**	10
			158	150	**—**	10
2005 Convertible Note (note 33(a))	5.75	2005	**—**	45	**—**	—
			158	195	**—**	10
Non-current						
Finance lease payables (note 32)	2.5–3	2007–2008	**4**	8	**—**	—
Bank loans — secured	4.25–6.75	2007–2014	**212**	176	**—**	—
			216	184	**—**	—
2010 Convertible Bonds (note 33(b))	7.25	2010	**77**	—	**77**	—
			293	184	**77**	—
			451	379	**77**	10

HK$ million	Group 2005	Group 2004	Company 2005	Company 2004
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**152**	145	**—**	10
In the second year	**67**	42	**—**	—
In the third to fifth years, inclusive	**92**	63	**—**	—
Beyond five years	**53**	71	**—**	—
	364	321	**—**	10
Other borrowings repayable:				
Within one year or on demand	**6**	50	**—**	—
In the second year	**4**	5	**—**	—
In the third to fifth years, inclusive	**77**	3	**77**	—
	87	58	**77**	—
	451	379	**77**	10

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(a) Certain of the Group's bank loans are secured by:

(i) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$254 million (2004: HK$95 million);

(ii) mortgage over the Group's land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$567 million (2004: HK$159 million); and

(iii) the pledge of certain of the Group's time deposits amounting to HK$71 million (2004: HK$117 million).

(b) Except for the secured bank loans aggregating HK$163 million which is denominated in RMB and United States dollars, all other borrowings are in Hong Kong dollars.

Other interest rate information:

	Group			
	2005		2004	
HK$ million	**Fixed rate**	**Floating rate**	Fixed rate	Floating rate
Finance lease payables	**3**	**7**	2	11
Bank loans — unsecured	**—**	**46**	—	—
Bank loans — secured	**—**	**318**	—	321
Convertible note/bonds	**77**	**—**	45	—
	80	**371**	47	332

	Company			
	2005		2004	
HK$ million	**Fixed rate**	**Floating rate**	Fixed rate	Floating rate
Bank loans — secured	**—**	**—**	—	10
Convertible bonds	**77**	**—**	—	—
	77	**—**	—	10

Except for the convertible note/bonds, the carrying amounts of the Group's and the Company's borrowings approximate to their fair values. The fair value of the Group's and the Company's convertible note/bonds with the carrying amount of HK$77 million (2004: HK$45 million) and HK$77 million (2004: Nil) are HK$68 million (2004: HK$45 million) and HK$68 million (2004: Nil) at the balance sheet date, respectively.

The fair value of the liability portion of the convertible note/bonds is estimated using an equivalent market interest rate for a similar convertible bond. The fair value of other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

32. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, machinery and office equipment for business use. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present value were as follows:

Group

HK$ million	**Minimum lease payments 2005**	Minimum lease payments 2004	**Present value of minimum lease payments 2005**	Present value of minimum lease payments 2004
Amounts payable:				
Within one year	**7**	5	**6**	5
In the second year	**4**	5	**4**	5
In the third to fifth years, inclusive	**—**	3	**—**	3
Total minimum finance lease payments	**11**	13	**10**	13
Future finance charges	**(1)**	—		
Total net finance lease payables	**10**	13		
Portion classified as current liabilities — note 31	**(6)**	(5)		
Non-current portion — note 31	**4**	8		

33. CONVERTIBLE NOTE/BONDS

(a) On 2 March 2004, the Company entered into a sale and purchase agreement under which the Company agreed to sell to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement, the chairman and a director of the Company, and his associates, the zero coupon convertible note in the principal amount of HK$45 million due 2005 (the "2005 Convertible Note") for a consideration of HK$45 million. The 2005 Convertible Note was issued by CCT Tech on 17 May 2002 to an indirect wholly owned subsidiary of the Company. As the directors consider that the equity component of the 2005 Convertible Note is not significant, the equity component was not separately recognised in the shareholders' equity of the Group.

Under the General Offers (as defined below) as detailed in (b) below, the 2005 Convertible Note was transferred to the Group after the closing of the General Offers.

(b) On 31 January 2005, Jade Assets made a voluntary conditional cash offer with securities exchange alternative (the "General Offers") of cash or the convertible bonds issued by the Company to acquire all the then issued share capital of CCT Tech and the then 2005 Convertible Note not already owned at that time by the Group and to cancel the CCT Tech options. The General Offers were closed on 6 May 2005. Up to the closing of the General Offers, valid acceptances have been received in respect of 7,907,179,696 CCT Tech Shares, the 2005 Convertible Note in the amount of HK$45,000,000 (representing all the then outstanding issued 2005 Convertible Note) and 1,082,781,000 CCT Tech options (representing all the then outstanding issued CCT Tech options). The CCT Tech options were cancelled and the 2005 Convertible Note was transferred to Jade Assets. On 25 April 2005, the Company issued convertible bonds with an aggregate nominal value of HK$155,218,720 (the "2010 Convertible Bonds") to those CCT Tech's shareholders and the holder of the 2005 Convertible Note who accepted the General Offers and who opted for the 2010 Convertible Bonds. During the year, the 2010 Convertible Bonds with a nominal value of HK$51,705,840 were converted into 80,662,359 shares of the Company of HK$0.10 each (note 35).

The 2010 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at the conversion price of HK$0.604 per share (subject to adjustment as provided in the terms and conditions of the 2010 Convertible Bonds) at any time during the conversion period starting from the date of issue and ending on the fifth business day before the fifth anniversary of the date of issue. The 2010 Convertible Bonds are unsecured, interest-free and have a maturity date of 25 April 2010, being the fifth anniversary of the date of issue. Unless converted into the shares of the Company or repaid by the Company, the outstanding balance of the 2010 Convertible Bonds shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2010 Convertible Bonds not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the 2010 Convertible Bonds a prior written notice of 14 days.

33. CONVERTIBLE NOTE/BONDS *(Continued)*

The fair value of the liability component of the 2010 Convertible Bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

The convertible note/bonds have been split between the liability and equity components, as follows:

HK$ million	Group 2005	Group 2004 (Restated)	Company 2005	Company 2004
Nominal value of convertible note/bonds issued:				
— 2010 Convertible Bonds — note (b)	**155**	—	**155**	—
— 2005 Convertible Note — note (a)	**—**	45	**—**	—
	155	45	**155**	—
Equity component	**(46)**	—	**(46)**	—
Liability component at the issuance date	**109**	45	**109**	—
Conversion in current year	**(37)**	—	**(37)**	—
Interest expense (note 7)	**5**	—	**5**	—
Liability component at 31 December (note 31)	**77**	45	**77**	—

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

HK$ million	2005 Acceleratedtax depreciation
At 1 January 2005	**5**
Deferred tax credited to the income statement during the year — note 10	**(2)**
Gross deferred tax liabilities At 31 December 2005	**3**

34. DEFERRED TAX *(Continued)*

Deferred tax assets

Group

HK$ million	**2005 Losses available for offset against future taxable profit**
At 1 January 2005	**4**
Deferred tax charged to the income statement during the year — note 10	**(1)**
Gross deferred tax assets at 31 December 2005	**3**
Net deferred tax liabilities at 31 December 2005	**—**

Deferred tax liabilities

Group

HK$ million	2004 Accelerated tax depreciation
At 1 January 2004	7
Deferred tax credited to the income statement during the year — note 10	(2)
Gross deferred tax liabilities at 31 December 2004	5

Deferred tax assets

Group

HK$ million	2004 Losses available for offset against future taxable profit
At 1 January 2004	9
Deferred tax charged to the income statement during the year — note 10	(5)
Gross deferred tax assets at 31 December 2004	4
Net deferred tax liabilities at 31 December 2004	(1)

34. DEFERRED TAX *(Continued)*

The Group has tax losses arising in Hong Kong of HK$194 million (2004: HK$242 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2005, there is no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. SHARE CAPITAL

Shares

	Company	
HK$ million	**2005**	2004
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
655,693,308 (2004: 422,525,230) ordinary shares of HK$0.10 each	**65**	42

During the year, the movements in share capital were as follows:

(a) The 2010 Convertible Bonds with a nominal value of approximately HK$52 million were converted into 80,662,359 shares of the Company of HK$0.10 each. Further details relating to the 2010 Convertible Bonds were set out in note 33(b) to the financial statements.

(b) The subscription rights attaching to 41,780,000 share options were exercised at the subscription price of HK$0.75 per share (note 36), resulting in the issue of 41,780,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$31 million.

(c) 110,725,719 shares were issued at HK$0.10 each in form of the scrip dividend shares in lieu of cash as part of the payment of the special interim dividend with equivalent total cash value of approximately HK$107 million. All the scrip dividend shares issued rank pari passu with the existing issued shares of the Company in all respects.

35. SHARE CAPITAL *(Continued)*

A summary of transactions involving the Company's issued ordinary share capital during the year is as follows:

	Number of ordinary shares of HK$0.10 each in issue	Issued share capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2004	422,105,230	42	1,250	1,292
Exercise of share options	420,000	—	—	—
At 31 December 2004 and 1 January 2005	422,525,230	42	1,250	1,292
Exercise of share options	41,780,000	4	27	31
Conversion of convertible bonds	80,662,359	8	44	52
Issue of scrip dividend shares	110,725,719	11	96	107
Cancellation of share premium account	—	—	(1,417)	(1,417)
At 31 December 2005	655,693,308	65	—	65

On 18 November 2005, the cancellation of the entire amount of approximately HK$1,417 million standing to the credit of the share premium account of the Company and the credit arising be credited to the distributable reserve account of the Company (the "Cancellation of the Share Premium Account") was approved by a special resolution at the extraordinary general meeting of the Company. The Cancellation of the Share Premium Account became effective on 9 December 2005.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 28 February 2002 (the "Share Option Scheme") to comply with the new amendments to the Listing Rules in respect of the share option schemes of a listed company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the date of adoption. During the year, 41,780,000 share options were exercised resulting in the issue of 41,780,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$31 million. As at 31 December 2005, there were no share options outstanding under the Share Option Scheme. No share option has been granted under the Share Option Scheme during the year.

36. SHARE OPTION SCHEME *(Continued)*

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group's operation. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Company) and any supplier, consultant, agent, adviser, shareholder, customer, partner, business associate who, in the sole discretion of the board of directors of the Company (the "Board"), has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

The maximum number of shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the shareholders' approval of the Company at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors of the Company, excluding the independent non-executive director(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue as at the date of grant or with an aggregate value (based on the closing price of the Company's shares as at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval of the Company in advance at a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the New Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

36. SHARE OPTION SCHEME *(Continued)*

Details of the movements of the share options under the Share Option Scheme during the year were as follows:

Name or category of participant HK$	Number of share options: Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31 December 2005	Date of grant of share options	Exercise period of share options	Exercise price per share (Note 1)	Price of the shares immediately before exercise date of share options (Note 2)	Price of the shares at exercise date of share options
Executive directors										
Mak Shiu Tong, Clement	420,000	—	(420,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.720	1.690
Cheng Yuk Ching, Flora	4,200,000	—	(4,200,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.720	1.690
Tam Ngai Hung, Terry	4,200,000	—	(4,200,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.740	1.710
William Donald Putt	420,000	—	(420,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.740	1.710
	9,240,000	—	(9,240,000)	—	—					
Independent non-executive directors										
Samuel Olenick	420,000	—	(420,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.720	1.690
Tam King Ching, Kenny	420,000	—	(420,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.740	1.710
Lau Ho Man, Edward	420,000	—	(420,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.740	1.710
	1,260,000	—	(1,260,000)	—	—					
Other employees										
In aggregate	31,280,000	—	(31,280,000)	—	—	17/3/2003	17/3/2003 – 16/3/2008	0.750	1.721	1.691
	31,280,000	—	(31,280,000)	—	—					
	41,780,000	—	(41,780,000)	—	—					

Notes to the reconciliation of share options outstanding during the year:

1. The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.

2. The price of the shares of the Company as at the date of exercise of the share options is the weighted average of the closing price of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the date on which the share options were exercised.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against consolidated retained profits, as further detailed in note 18 to the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital on 8 April 2002.

(b) Company

HK$ million	Notes	Share premium account	Capital reserve	Distributable reserve	Equity component of convertible bonds	Retained profits/ (accumulated losses)	Total
Balance at 1 January 2004		1,250	1,114	—	—	(194)	2,170
Profit for the year	11	—	—	—	—	92	92
2004 special interim dividend	12	—	(42)	—	—	—	(42)
2004 interim dividend	12	—	(4)	—	—	—	(4)
Proposed 2004 final dividend	12	—	(8)	—	—	—	(8)
At 31 December 2004 and 1 January 2005		1,250	1,060	—	—	(102)	2,208
Exercise of share options	35	27	—	—	—	—	27
Issue of convertible bonds	33	—	—	—	46	—	46
Conversion of convertible bonds	35	44	—	—	(15)	—	29
Issue of scrip dividend shares	35	96	—	—	—	—	96
Cancellation of share premium account	35	(1,417)	—	1,417	—	—	—
Profit for the year	11	—	—	—	—	428	428
2005 special interim dividend	12	—	(319)	—	—	—	(319)
Proposed 2005 final dividend	12	—	—	—	—	(13)	(13)
At 31 December 2005		—	741	1,417	31	313	2,502

Note: At 31 December 2005, the Company's reserves available for distribution including the share premium, capital reserve, distributable reserve accounts and retained profits of the Company, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$2,471 million.

The Company's capital reserve was created from the reduction of share capital on 8 April 2002.

38. DISPOSAL OF SUBSIDIARIES

HK$ million	**2005**	2004
Net assets disposed of:		
Property, plant and equipment (note 14)	**—**	3
Cash and bank balances	**—**	5
Trade and bills receivables	**—**	7
Inventories	**—**	4
Prepayments, deposits and other receivables	**—**	8
Trade and bills payables	**—**	(2)
Other payables and accruals	**(42)**	(6)
Tax payable	**—**	(1)
Minority interests	**—**	(7)
	(42)	11
Reversal of goodwill upon disposal of subsidiaries - note 18	**—**	11
Net gain on disposal of subsidiaries	**42**	—
	—	22
Satisfied by:		
Cash	**—**	12
Other receivables	**—**	7
Other payables	**—**	3
	—	22

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

HK$ million	**2005**	2004
Cash consideration	**—**	12
Cash and bank balances disposed of	**—**	(5)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**—**	7

The results of the subsidiaries disposed of during the year and in the prior year had no significant impact on the Group's consolidated turnover or profit after tax and before minority interests for the years ended 31 December 2005 and 2004.

39. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the finance leases of HK$4 million (2004: HK$14 million).

(b) As further detailed in note 33(b) to the financial statements, during the year, the Company issued the 2010 Convertible Bonds with an aggregate nominal value of HK$155 million to the CCT Tech's shareholders and the holder of the 2005 Convertible Note who accepted the General Offers and who opted for the 2010 Convertible Bonds.

40. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
HK$ million	**2005**	2004	**2005**	2004
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**186**	186
Guarantee given to an independent third party in respect of a rental arrangement (note)	**—**	48	**—**	48
	—	48	**186**	234

Note: During the year, the Company entered into a deed of release of guarantee with the landlord in respect of the rental arrangement and paid HK$36 million to the landlord. The amount paid has been recognised as an expense in the income statement (note 6).

As at 31 December 2005, the bank facilities granted to the subsidiaries subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$154 million (2004: HK$173 million).

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1 million as at 31 December 2005 (2004: HK$9 million), as further explained under the heading "Employees benefits" in note 2.5 to the financial statements. The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

41. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 31 to the financial statements.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
HK$ million	**2005**	2004
Within one year	**2**	—
In the second to fifth years, inclusive	**2**	—
	4	—

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 5 years.

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

	Group	
HK$ million	**2005**	2004
Within one year	**2**	3
In the second to fifth years, inclusive	**6**	3
After five years	**1**	—
	9	6

42. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee *(Continued)*

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from 50 to 51 years in respect of land on which certain of the Group's factories are situated falling due as follows:

	Group	
HK$ million	**2005**	2004
Within one year	**2**	2
In the second to fifth years, inclusive	**9**	9
After five years	**115**	114
	126	125

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following commitments at the balance sheet date:

Capital commitments

	Group	
HK$ million	**2005**	2004
Contracted, but not provided for		
Construction in progress	**—**	28
Purchases of motor vehicles	**—**	4
Purchases of plant and machinery and equipment	**7**	1
	7	33

In addition, the Group's share of the associate's own capital commitments as at 31 December 2004, which are not included in the above, was as follows:

HK$ million	Group 2004
Contracted, but not provided for	7

At the balance sheet date, the Company had no significant commitments.

44. RELATED PARTY TRANSACTION

(a) During the prior year, on 2 March 2004, the Company entered into a sale and purchase agreement under which the Company agreed to sell to New Capital and the associates of Mr. Mak Shiu Tong, Clement, the 2005 Convertible Note for a cash consideration of HK$45 million. This transaction was approved by the independent shareholders of the Company on 15 April 2004 and was completed on 26 April 2004.

(b) Pursuant to the General Offers, the 2005 Convertible Note held by New Capital was acquired by Jade Assets at a consideration of approximately HK$103.5 million during the year in return for the issue of the Company's 2010 Convertible Bonds with a principal amount of approximately HK$103.5 million to New Capital. The transaction was approved by the independent shareholders of the Company in the extraordinary general meeting held on 18 April 2005 and was completed on 25 April 2005. Further details of the transaction were set out in the circular of the Company dated 31 March 2005.

(c) Compensation of key management personnel of the Group

HK$ million	**2005**	2004
Short term employee benefits	**42**	40
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**42**	40

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in (a) and (b) above also constitute connected transaction as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible bonds, finance leases, and cash and short term deposits. 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 Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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 2.5 to the financial statements.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The Group's policy is to manage its interest cost using an appropriate mix of fixed and variable rate debts.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group use forward currency contracts to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets 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.

There is no significant concentration of credit risk in relation to the Group's financial assets.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, other interest-bearing loans and finance leases. In addition, banking facilities have been put in place for contingency purposes.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values

Other than certain available-for-sale financial assets, financial assets at fair value through profit or loss and forward currency contracts which have been measured at fair value, the financial assets and liabilities which are not carried at fair value in the balance sheets are presented below:

(a) *Bank balances, trade and bills receivables, trade and bills payables, other receivables and payables*

The carrying amounts of these balances approximate their fair values because of the immediate or short term maturity of these financial instruments.

(b) *Held-to-maturity financial assets*

The carrying amount of the Group's held-to-maturity financial assets approximates their fair value.

(c) *Bank loans, finance lease payables and convertible bonds*

The carrying amounts of bank loans and finance lease payables approximate their fair values, based on the prevailing interest rates. The fair value of convertible bonds is disclosed in note 31 to the financial statements.

46. POST BALANCE SHEET EVENTS

(a) On 9 November 2005, the Company and CCT Tech jointly announced that a proposal made by Jade Assets in relation to a privatisation of CCT Tech by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda (the "Scheme") to the shareholders of CCT Tech other than the Company and parties acting in concert with it (the "Scheme Shareholders"). The Scheme would privatise CCT Tech by way of the cancellation of the CCT Tech shares held by the Scheme Shareholders (the "Scheme Shares") at a price of HK$0.023 per Scheme Share payable in cash by CCT Tech to the Scheme Shareholders. The scheme document regarding the Scheme was dispatched to the shareholders of CCT Tech on 18 January 2006.

On 13 February 2006, the court meeting (the "Court Meeting") was held to approve the Scheme by the Scheme Shareholders by way of poll. The Scheme was not approved by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than 75% in value of the Scheme Shares that were voted either in person or by proxy by the Scheme Shareholders at the Court Meeting and was disapproved by the Scheme Shareholders at the Court Meeting holding more than 10% in value of all the CCT Tech shares held by the Scheme Shareholders. As such, the Scheme cannot be put into effect and hence has lapsed. The shares in CCT Tech remain listed on the Stock Exchange.

Further details of this event were set out in the Company's press announcement dated 9 November 2005, the major transaction circular dated 18 January 2006, the scheme document dated 18 January 2006 and the press announcement dated 13 February 2006.

46. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 22 November 2005, the Company announced that a conditional agreement was entered into between the Company and Deutsche Bank on 16 November 2005, pursuant to which the Company agreed to procure Greatway International Corp., Info-Net International Corp., Clear Access Agents Limited, Super Control Investments Limited, Invest Paradise Group Limited and Full Elite Assets Limited, all of which are indirect wholly-owned subsidiaries of the Company, to sell and Deutsche Bank agreed to purchase, or procure the purchase of 3,926,774,819 ordinary shares of HK$0.10 each in the share capital of Haier Electronics at a total consideration of approximately HK$557.6 million in cash. The transaction was approved by the shareholders of the Company at the special general meeting held on 29 December 2005 and was completed on 5 January 2006. After the completion, the Company does not own any share and/or interest in Haier Electronics.

Details of the transaction were set out in the Company's very substantial disposal circular dated 12 December 2005.

(c) On 6 March 2006, the Company announced that Topcon Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a binding provisional sale and purchase agreement dated 2 March 2006 with an independent third party for the purchase of a property at a consideration of approximately HK$94 million, of which approximately HK$4 million was paid upon signing of the provisional sale and purchase agreement. The transaction is expected to be completed on or before 20 May 2006. Topcon Investments Limited signed the formal sale and purchase agreement on 16 March 2006 to replace the provisional sale and purchase agreement and a further deposit of HK$6 million was paid to the vendor. Further details of the transaction were set out in the announcement of the Company dated 6 March 2006 and the Company's circular to shareholders dated 23 March 2006.

(d) On 7 March 2006, the Company entered into a conditional subscription agreement (the "Subscription Agreement") with Tradeeasy Holdings Limited ("Tradeeasy"), a company listed on the Growth Enterprises Market of the Stock Exchange to subscribe for a total of 550,000,000 new shares to be allotted and issued by Tradeeasy (the "Subscription Shares") at a subscription price of HK$0.04 per Subscription Share, for a total consideration of HK$22 million. The total consideration will be settled by cash upon completion. Following the completion, Tradeeasy will become a non-wholly-owned subsidiary of the Company.

The transaction was approved by the independent shareholders of Tradeeasy at the extraordinary general meeting held on 19 April 2006. The transaction will be completed subject to the fulfilment or waiver of the other conditions as provided under the Subscription Agreement. Further details of the transaction were set out in the joint announcement of the Company and Tradeeasy dated 9 March 2006.

46. POST BALANCE SHEET EVENTS *(Continued)*

(e) On 17 March 2006, the Company entered into a conditional sale and purchase agreement (the "S&P Agreement") with Deutsche Bank in relation to the sale of a total 13,800,000,000 shares in CCT Tech (the "Sale Shares") to Deutsche Bank and not less than two third party investors (the "Third Party Investors") in order to restore the public float of CCT Tech to not less than 25% of the total issued capital of the Company. The price for the sale of the Sale Shares is HK$0.022 per Sale Share and the total consideration amounted to approximately HK$303,600,000, payable in cash. On the same day, the Company and Deutsche Bank entered into a put agreement (the "Put Agreement") in relation to the options granted by the Company to Deutsche Bank which give Deutsche Bank a right to put back the Sale Shares to the Company in accordance with the Put Agreement (the "Options"). The Put Agreement is conditional upon completion of the S&P Agreement. The consideration under the S&P Agreement will be paid as an initial exchange amount (the "Initial Exchange Amount") to the bank account of Deutsche Bank pursuant to the terms of the Put Agreement to effectively serve as collateral to secure the Company's obligations under the Put Agreement. The Initial Exchange Amount will be refunded to the Company with interest if Deutsche Bank and/or the Third Party Investors dispose of any of the Sale Shares or upon the expiration date of the Options, being the date falling on the second anniversary of the completion date of the S&P Agreement. The transactions under the S&P Agreement and the Put Agreement are subject to the approval of the Company's shareholders at a special general meeting to be held and fulfillment or waiver of other conditions in accordance with the S&P Agreement.

Upon fulfillment or waiver of the conditions and immediately before completion, Jade Assets will convert the convertible notes due 2007 and 2008 issued by CCT Tech in full into 48,428,571,428 new ordinary shares in CCT Tech, out of which 13,800,000,000 new CCT Tech shares will be sold to Deutsche Bank and the Third Party Investors. The Group will hold approximately 74.62% of the total issued share capital of CCT Tech as enlarged by the full conversion of the convertible notes and the public shareholders will hold 25.38%.

Details of the transactions under the S&P Agreement and the Put Agreement were set out in the joint announcement of the Company and CCT Tech dated 22 March 2006.

47. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2006.