NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Alltronic Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together the "Group") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 17 June 2005. Following the completion of the public offering and placing of 90,000,000 shares as set out in the prospectus dated 30 June 2005 issued by the Company, the Company's shares were listed on the Main Board of the Stock Exchange on 15 July 2005 (the "Listing").

The Company is an investment holding company. The principal activities of the Group are manufacture and sales of plastic moulds, plastic components, electronic products and components. Details of the activities of principal subsidiaries and associated companies are set out in notes 18 and 19 to the financial statements.

The principal place of business of the Company is at Room 1108, 11/F, Eastwood Centre, No. 5 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong.

These consolidated financial statements have been approved for issue by the Board of Directors on 24 April 2006.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated income statement and consolidated cash flow statement for the two years ended 31 December 2005 and 2004 were prepared on the basis as if the current group structure had been in existence throughout the periods. The consolidated balance sheet of the Group as at 31 December 2004 has been prepared to present the assets and liabilities of the Group as at 31 December 2004 as if the current group structure had been in existence at that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards ("HKFRS"), and interpretations of HKAS (together "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

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 16	Property, Plant and Equipment
HKAS 17	Leases
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 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

- HKASs 2, 7, 8, 10, 16, 23, 27, 28 and 33 had no material effect on the Group's policies.

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment losses.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of HKFRS 2 has no effect on the Group's policies as the Group has not granted any share option since the adoption of the share option scheme on 22 June 2005.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over its estimated useful life up to 10 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3: (note 2.7)

– The Group has ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

– HKFRS 3 – prospectively after 1 January 2005.

The adoption of revised HKAS 17 resulted in changes in the consolidated balance sheet as follows:

	2005	2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(2,222)**	(2,272)
Increase in land use rights	**2,222**	2,272

The adoption of revised HKASs 32 and 39 resulted in changes in the consolidated balance sheet as follows:

	2005	2004
	HK$'000	HK$'000
Decrease in trading listed securities	**(9,627)**	–
Increase in financial assets at fair value through profit and loss	**9,627**	–

There was no impact on basic and diluted earnings per share from the adoption of HKAS 32 and HKAS 39.

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKFRS2 and HKFRS3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Associated company

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.7).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) *Associated company (Continued)*

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, furniture and fixtures, office equipment, plant and machinery, leasehold improvements and motor vehicles. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	2% – 20% or over the lease terms, whichever is shorter
Furniture and fixtures	9% – 20%
Office equipment	8% – 20%
Plant and machinery	9% – 20%
Leasehold improvements	16.67% – 20%
Motor vehicles	9% – 20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associated companies, as trading securities.

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investments (Continued)

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2.10).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investments (Continued)

From 1 January 2005 onwards (Continued):

(c) Available-for-sale financial assets (Continued)

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using most applicable valuation techniques feasible to the Group. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement-is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Deferred income tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Pension obligations

The Group operates defined contribution retirement schemes for its Hong Kong and PRC employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the income statement represent contributions payable by the Group to the schemes.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations in the PRC, the PRC subsidiaries of the Group participate in respective government retirement benefit schemes are required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the income statement as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

2.18 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.19 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are carried at their fair value.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group is exposed it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk, cash flow and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial assets and financial liabilities carried on the balance sheets include available-for-sale financial assets, financial assets at fair value through profit and loss, bank balances and cash, pledged bank deposits, accounts receivable, prepayments, deposits and other receivables, due from/(to) affiliate companies, bills payables, account payables, trust receipts loans, bank overdraft and borrowings. The accounting policies on recognition and measurement of these items are disclosed in Note 2. Management regularly monitors the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, hedging activities were not taken by management.

(a) Foreign exchange risk

The Group sells goods to international customers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars, United States dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has certain investments in PRC operations, whose net assets are exposed to foreign currency translation risk. The Group does not presently hedge this foreign exchange exposure.

To manage their foreign exchange risk arising from future commercial transactions, entities in the Group engage in transactions with different currencies such as HK dollars, US dollars and Renminbi to the extent possible. The Group currently does not hedge transactions undertaken in Renminbi but manages its exposure through constant monitoring to limit as much as possible the amount of its Renminbi exposures. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The finance department of the Group is responsible for monitoring and managing the net position in each foreign currency.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the continuous growth in business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities except its bank deposits, bills payable, finance lease liabilities and bank borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arose from bank balances and bank borrowings. The Group regularly seeks out the most favourable interest rates available for its bank deposits and bank borrowings. Information relating to interest rates of the Group's bank balances, deposits and bank borrowings are disclosed in Notes 27 and 31 respectively.

3.2 Fair value estimation

The fair value of available-for-sale financial assets that are not openly traded is determined with reference to indicative market values provided by the issuers (Note 20).

The nominal value less estimated credit adjustments of accounts receivable and accounts payable are assumed to approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the accounting policy stated in Notes 2.5 and 2.7. The recoverable amounts of property, plant and equipment will be determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of the accounts receivable. Provisions are applied to accounts receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of bills receivable and accounts receivable and doubtful debt expenses in the year in which such estimate has been changed.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electronic products. Revenues recognised during the year are as follows:

	Year ended 31 December	
	2005	2004
	HK$'000	HK$'000
Turnover		
Sale of goods	**316,903**	292,447
Other revenue		
Interest income on bank deposits	**1,564**	100
	318,467	292,547

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

(a) Business segment

During the year, the Group has been operating in one single business segment, i.e. manufacturing and trading of electronic products.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Year ended 31 December	
	2005	2004
	HK$'000	HK$'000
Turnover		
The United States	**218,541**	213,835
Europe	**29,532**	23,150
PRC	**83**	17
Hong Kong	**49,178**	33,311
Other countries	**19,569**	22,134
	316,903	292,447

	Year ended 31 December	
	2005	2004
	HK$'000	HK$'000
Capital expenditure		
PRC	**15,876**	8,459
Hong Kong	**452**	336
	16,328	8,795

	As at 31 December	
	2005	2004
	HK$'000	HK$'000
Total assets		
PRC	**130,542**	66,277
Hong Kong	**189,397**	96,989
	319,939	163,266

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

6 OPERATING PROFIT

	Year ended 31 December	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Operating profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of an associated company	**–**	2
Unrealised gain on trading listed securities	**–**	424
Realised gain on financial assets at fair value through profit and loss	**1,993**	–
Dividend received from financial assets at fair value through profit and loss/trading listed securities	**60**	251
Charging:		
Auditors' remuneration		
– Current year provision	**1,000**	358
– Under-provision in prior year	**12**	–
Amortisation of land use rights	**50**	38
Cost of inventories sold	**235,948**	200,954
Depreciation		
– Owned fixed assets	**6,845**	5,947
– Leased fixed assets	**357**	981
Loss on disposal of fixed assets	**1,301**	–
Net exchange loss	**1,218**	901
Operating leases – land and buildings	**5,618**	4,623
Provision for impairment on receivables	**–**	153
Staff costs (excluding directors' emoluments) (Note 8)	**43,089**	36,214
Unrealised loss on financial assets at fair value through profit and loss	**155**	–
Realised loss on trading listed securities	**–**	1,093

7 FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interests on bank loans and bank overdrafts	**3,279**	2,487
Interest element of finance leases	**36**	90
	3,315	2,577

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

8 STAFF COSTS-EXCLUDING DIRECTORS' EMOLUMENTS

	2005	2004
	HK$'000	HK$'000
Wages and salaries	**40,381**	33,550
Pension costs – defined contribution plans	**588**	528
Staff welfare and allowance	**2,120**	2,136
	43,089	36,214

9 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name	**Fees**	**Salary**	**Discretionary bonuses**	**Other benefits***	**Employer's contribution to pension scheme**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive Directors						
Lam Yin Kee	–	**1,900**	–	**960**	**12**	**2,872**
Yeung Po Wah	–	**598**	–	–	**12**	**610**
Toshio Daikai	–	**780**	–	**132**	–	**912**
William Peter Shelley	–	**766**	–	**144**	**12**	**922**
Non-executive Directors						
Fan Chung Yue, William	**129**	–	–	–	–	**129**
Barry John Buttifant	**129**	–	–	–	–	**129**
Leung Kam Wah	**129**	–	–	–	–	**129**
Yeung Chi Ying	**129**	–	–	–	–	**129**

9 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2004 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits*	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Lam Yin Kee	–	1,478	–	–	12	1,490
Yeung Po Wah	–	478	–	–	12	490
Toshio Daikai	–	765	–	–	–	765
William Peter Shelley	–	732	90	–	12	834

* Other benefits represent quarters and housing allowance for the Directors.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,650**	2,191
Retirement benefit – defined contribution plans	**24**	24
	1,674	2,215

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1

10 PENSION SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong incorporated companies within the Group and their employees makes monthly contributions to the scheme at 5% of the employees' earnings up to a maximum of HK$1,000 per month per employee as defined under the Mandatory Provident Scheme Ordinances.

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local governments, which is a defined contribution plan. The Group and its employees contribute approximately 8% and 5%, respectively, of the salary as specified by the relevant local governments, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

For the year ended 31 December 2005, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$588,000 (2004: HK$528,000). As at 31 December 2005, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions under the above schemes.

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005	2004
	HK$'000	HK$'000
		(Restated)
Current income tax		
– Hong Kong profits tax (note a)	**6,366**	8,026
– PRC enterprise income tax (note b)	**828**	568
Deferred income tax (Note 32)	**(184)**	(115)
Taxation charge	**7,010**	8,479

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

11 INCOME TAX EXPENSE (Continued)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year.

(b) PRC enterprise income tax

PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. The Company has two subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm") and 南盈塑膠實業(深圳)有限公司 ("南盈"). During the year, Shenzhen Allcomm and 南盈 are subject to a standard income tax rate of 15% in accordance with the relevant applicable tax laws. 南盈 is entitled to full exemption of PRC income tax for the two years ended 31 December 2005, followed by a 50% reduction of PRC income tax (i.e. 7.5%) for the three years ending 31 December 2008.

(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005 **HK$'000**	2004 HK$'000 (Restated)
Profit before taxation	**33,945**	47,149
Calculated at a taxation rate of 17.5%	**5,940**	8,251
Effect of different taxation rates in other countries	**(151)**	(38)
Income not subject to taxation	**(731)**	(2,380)
Expenses not deductible for taxation purposes	**1,598**	2,559
Temporary differences not recognised	**77**	87
Others	**277**	–
	7,010	8,479

The weighted average applicable tax rate was 17.1% (2004: 17.3%). The decrease is caused by a change in the amount of profit generated from the Group's subsidiaries in respective tax regimes.

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$7,448,000 (2004: loss of HK$133,000).

13 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be issued during the year as if the share capital of the Company outstanding immediately after the share exchange in connection with the Reorganisation and the related subsequent capitalisation issue had been in existence throughout the year.

	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**26,935**	38,670
Weighted average number of ordinary shares in issue (thousands)	**300,000**	300,000
Basic earnings per share (HK cents per share)	**8.98**	12.89

Diluted

No diluted earnings per share are presented as no diluting event existed during the year (2004: Nil).

14 DIVIDENDS

	Year ended 31 December	
	2005	2004
	HK$'000	HK$'000
Interim dividend paid of HK$ Nil (2004: HK$30) per ordinary share by the Company's subsidiary (Note a)	**–**	25,000
Interim dividend paid of HK$0.02 (2004: HK$Nil) per ordinary share	**6,000**	–
Special interim dividend paid of HK$0.015 (2004: HK$Nil) per ordinary share (Note b)	**4,500**	–
Proposed final dividend of HK$0.015 (2004: HK$Nil) per ordinary share (Note c)	**4,500**	–
	15,000	25,000

Notes:

(a) The interim dividend for the year ended 31 December 2004 was paid by the Company's subsidiary, Alltronics (BVI) Limited, to its then shareholders.

(b) In recognition of the continued support from the shareholders and the successful listing of the Company's shares on the Main Board of the Stock Exchange on 15 July 2005, the Board declared and paid a special interim dividend of HK$0.015 per ordinary share.

(c) A dividend in respect of 2005 of HK$0.015 per share, amounting to a total of HK$4,500,000 is to be proposed at the Annual General Meeting on 24 May 2006. These financial statements do not reflect this dividend payable but account for it as proposed dividend from the reserves (Note 30).

15 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2004							
Cost, as previously reported	9,016	6,267	6,113	13,374	11,608	4,048	50,426
Reclassification to land use rights (Note 16)	(1,268)	–	–	–	–	–	(1,268)
Cost, as restated	7,748	6,267	6,113	13,374	11,608	4,048	49,158
Accumulated depreciation, as previously reported	(840)	(3,461)	(3,551)	(5,783)	(5,323)	(1,390)	(20,348)
Reclassification to land use rights (Note 16)	117	–	–	–	–	–	117
Net book amount, as restated	7,025	2,806	2,562	7,591	6,285	2,658	28,927
Year ended 31 December 2004							
Opening net book amount, as restated	7,025	2,806	2,562	7,591	6,285	2,658	28,927
Additions	1,992	308	1,119	2,606	2,524	246	8,795
Depreciation	(201)	(539)	(768)	(2,422)	(2,253)	(783)	(6,966)
Reclassification to land use rights (note 16)	(1,121)	–	–	–	–	–	(1,121)
Closing net book amount, as restated	7,695	2,575	2,913	7,775	6,556	2,121	29,635

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2004							
Cost, as previously reported	11,008	6,575	7,232	15,980	14,132	4,294	59,221
Reclassification to land use rights (note 16)	(2,427)	–	–	–	–	–	(2,427)
Cost, as restated	8,581	6,575	7,232	15,980	14,132	4,294	56,794
Accumulated depreciation	(1,041)	(4,000)	(4,319)	(8,205)	(7,576)	(2,173)	(27,314)
Reclassification to land use rights (Note 16)	155	–	–	–	–	–	155
Net book amount, as restated	7,695	2,575	2,913	7,775	6,556	2,121	29,635
Year ended 31 December 2005							
Opening net book amount	7,695	2,575	2,913	7,775	6,556	2,121	29,635
Exchange differences	–	37	25	37	48	8	155
Acquisition of a subsidiary (Note 34)	–	287	373	9,458	1,046	353	11,517
Additions	–	1,939	1,245	3,083	9,564	497	16,328
Disposals	–	(2)	(51)	(283)	(1,606)	(130)	(2,072)
Depreciation	(174)	(511)	(864)	(2,479)	(2,440)	(734)	(7,202)
Closing net book amount	7,521	4,325	3,641	17,591	13,168	2,115	48,361
At 31 December 2005							
Cost	8,581	11,597	9,533	48,665	23,503	4,533	106,412
Accumulated depreciation	(1,060)	(7,272)	(5,892)	(31,074)	(10,335)	(2,418)	(58,051)
Net book amount	7,521	4,325	3,641	17,591	13,168	2,115	48,361

In 1998, the Group entered into an arrangement with 2 independent third parties (the "Partners") for the development of certain manufacturing premises for the Group's use and staff quarters in Shenzhen and the Group's attributable interest in these buildings is 60%. These buildings are accounted for as jointly controlled assets of the Group.

As at 31 December 2005, the aggregate cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to HK$7,054,000 (2004: HK$2,894,000) and HK$3,011,000 (2004: HK$1,444,000) respectively.

During the year, depreciation expense of HK$5,225,000 (2004: HK$4,828,000) has been expensed in cost of goods sold and HK$1,977,000 (2004: HK$2,100,000) in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

16 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,222**	2,272

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Opening net book amount	**–**	–
Reclassification from property, plant and equipment (Note 15)	**2,427**	1,268
Accumulated amortisation (Note 15)	**(155)**	(117)
Opening net book amount, as restated	**2,272**	1,151
Additions reclassified from property, plant and equipment (Note 15)	**–**	1,159
Amortisation of prepaid operating lease payment (Note 15)	**(50)**	(38)
Closing net book amount	**2,222**	2,272

17 GOODWILL

	Group	
	2005	2004
	HK$'000	HK$'000
Cost and net book amount		
At the beginning of the year	**–**	–
Acquisition of a subsidiary (Note 34)	**7,679**	–
Reclassification from interest in an associated company (Note 19)	**3,993**	–
At the end of the year	**11,672**	–

The goodwill relates to the excess of consideration paid for and the fair value of net assets acquired from the acquisition of Southchina Engineering and Manufacturing Limited ("Southchina"). Commencing from 1 January 2005, the Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amount of the goodwill has been determined based on a value-in-use calculation which in turn is based on the financial projections of Southchina. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the Group's goodwill.

17 GOODWILL (Continued)

Key assumptions used for value-in-use calculations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted turnover, operating expenses and finance costs were projected with reference to the expected earnings from manufacturing of plastic moulds, plastic and electronic accessories.

(b) For the business environment, there will be no change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any countries in which Southchina operates.

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE FROM/(TO) A SUBSIDIARY

	Company	
	2005	2004
	HK$'000	HK$'000
Investments in unlisted shares, at cost (Note a)	**–**	–
Due from a subsidiary (Note b)	**1,470**	–
Due to a subsidiary (Note b)	**–**	165

Notes:

a) The following is a list of the principal subsidiaries at 31 December 2005:

Name	**Place of incorporation and kind of legal entity**	**Principal activities and Place of operation**	**Particulars of issued share capital**	**Interest held**
Alltronics (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	*100%
Alltronics Tech. Mftg. Limited	Hong Kong, limited liability company	Manufacturing and trading of electronic products in Hong Kong and the People's Republic of China ("PRC")	500,000 ordinary shares of HK$1 each	100%
Allcomm (H.K.) Limited	Hong Kong, limited liability company	Investment holding and trading of electronic products in Hong Kong	2 ordinary shares of HK$1 each	100%
Shenzhen Allcomm Electronic Co. Ltd.	PRC, limited liability company	Manufacturing of electronic products in the PRC	Registered capital of US$1,728,397	100%

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE FROM/(TO) A SUBSIDIARY

Notes (Continued):

a) The following is a list of the principal subsidiaries at 31 December 2005 (Continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Actronics Manufacturing Limited	PRC, limited liability company	Manufacturing of electronic products in the PRC	Registered capital of US$1,200,000	100%
Southchina Engineering and Manufacturing Limited	Hong Kong, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	1,000,000 ordinary shares of HK$1 each	51%
南盈塑膠實業(深圳)有限公司	PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$1,700,000	51%
Quant Electronics (HK) Limited	Hong Kong, limited liability company	Dormant	3,000,000 ordinary shares of HK$1 each	51%

* Shares held directly by the Company

b) The amount due from/(to) a subsidiary was unsecured, interest-free and repayable on demand.

19 INTEREST IN AN ASSOCIATED COMPANY AND AMOUNT DUE FROM/(TO) AN ASSOCIATED COMPANY

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Beginning of the year	**6,646**	6,895
Share of associated companies' results		
– (loss)/profit before taxation	**(891)**	902
– taxation (Note a)	**79**	(31)
	5,834	7,766
Acquisition of further equity interest in Southchina (the "Acquisition") (Note c)	**(1,841)**	–
Reclassification of goodwill as a result of the Acquisition (Note b & 17)	**(3,993)**	–
Addition as a result of Acquisition (Note 34)	**188**	–
Amortisation of goodwill (Note b)	**–**	(631)
Disposal of an associated company	**–**	(489)
End of the year	**188**	6,646
Due from an associated company (note d)	**91**	4,000
Due to an associated company (note e)	**650**	3,430

The corporate information and the unaudited financial information of the associated company as at 31 December 2005 was as follows:

Name	**Particulars of issued shares capital**	**Country of incorporation**	**Assets**	**Liabilities**	**Revenues**	**Loss for the year**	**Interest indirectly held**
			HK$'000	HK$'000	HK$'000	HK$'000	
TSC Manufacturing Limited ("TSC")	3,000,000 ordinary shares of HK$1 each	Hong Kong	5,950	6,780	3,826	(3,830)	20.4%

Notes:

(a) The associated companies in the PRC are subject to a standard income tax rate of 15% in accordance with the relevant tax laws applicable. Some of the associated companies are entitled to full exemption from PRC income tax for the two years from its incorporation or the first profitable year, and followed by a 50% reduction of PRC income tax (i.e. 7.5%) from the third to the fifth year.

(b) Cost and accumulated amortisation of goodwill are offset by the same amount of approximately HK$2,313,000 upon the adoption of HKFRS 3 at 1 January 2005. The goodwill as at 1 January 2005 after offsetting was approximately HK$3,993,000.

(c) In December 2005, the Group acquired a further 26% equity interest in Southchina and Southchina became a 51% owned subsidiary of the Group since then (Note 17).

19 INTERESTS IN ASSOCIATED COMPANIES AND AMOUNT DUE FROM/(TO) AN ASSOCIATED COMPANY (Continued)

Notes (Continued):

(d) The amount due from TSC as at 31 December 2005 is unsecured, bears interest at prime rate plus 1% and repayable on demand. Amount due from an associated company as at 31 December 2004 represented the advance to Southchina for financing its acquisition of machinery and was unsecured, interest-free and repayable on demand.

(e) The outstanding balance due to associated company was aged less than one year and was unsecured, interest-free and with normal credit terms of 30 to 60 days.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Unlisted capital guaranteed funds in Hong Kong:

	Group	
	2005	2004
	HK$'000	HK$'000
Beginning of the year	**–**	–
Acquisition of subsidiary (Note 34)	**2,903**	–
End of the year	**2,903**	–

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

As at 31 December 2005, available-for-sale financial assets of aggregate carrying amount of HK$2,903,000 have been pledged to a bank to secure loan and overdraft facilities for Southchina (Note 37).

As these capital guaranteed funds are not publicly traded and in the absence of readily available information to determine the fair values of these capital guaranteed funds, the Group has adopted the indicative market value provided by the issuers as its best estimate of the fair values of these capital guaranteed funds.

21 INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**44,981**	20,558
Work in progress	**12,641**	6,711
Finished goods	**16,779**	6,118
	74,401	33,387

21 INVENTORIES (Continued)

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$235,948,000 (2004: HK$200,954,000).

22 ACCOUNTS RECEIVABLE

The Group's sales to corporate customers are entered into on credit terms ranging up to 90 days, except for certain credit worthy customers to whom a longer credit period is allowed. The ageing analysis of accounts receivable at the balance sheet dates is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**29,904**	14,421
31 – 60 days	**22,475**	5,266
61 – 90 days	**5,459**	3,612
91 – 120 days	**3,097**	2,389
121 – 365 days	**1,441**	532
Over 365 days	**231**	–
	62,607	26,220

The Group has not recognised any gain or loss (2004: HK$153,000) for the impairment of its accounts receivable during the year ended 31 December 2005.

23 AMOUNT DUE FROM A RELATED COMPANY

The balance represented trade receivable from a related company, Maruman Products Co. Ltd. ("Maruman") which was unsecured, interest-free with a credit term of 60 days. Mr. Lam Yin Kee, the Chairman and an executive Director of the Group, has 24.7% equity interest in Maruman.

24 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY, DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARY

The balances due from ultimate holding company and due from minority shareholders of subsidiary were unsecured, interest-free and repayable on demand.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group
	2005
	HK$'000
Listed securities:	
– Equity securities – Hong Kong, at market values	**9,627**

The carrying amounts of the above financial assets are classified as follows:

	Group
	2005
	HK$'000
Held for trading	**9,627**

Changes in fair values of financial assets at fair value through profit or loss are recorded in other operating income/(expenses) of the income statement (Note 6).

26 TRADING LISTED SECURITIES

	Group
	2004
	HK$'000
Equity securities:	
Listed in Hong Kong, at market values	15,723

As at 31 December 2004, listed securities of aggregate carrying amount of HK$15,723,000 have been pledged to a bank to secure loan and overdraft facilities for Alltronics Tech. Mftg. Limited, a wholly owned subsidiary. In accordance with the requirements of HKAS 32, trading listed securities have been reclassified as "Financial assets at fair values through profit and loss" since 1 January 2005, as disclosed in note 25 above.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**24,447**	24,925	**5,305**	–
Short-term bank deposits	**66,605**	–	**50,303**	–
	91,052	24,925	**55,608**	–

The effective interest rate on short-term bank deposits was 1.27% (2004: 0.32%); these deposits have a maturity period of 30 days to 6 month (2004: 30 days to 6 months).

27 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**91,052**	24,925	**55,608**	–
Bank overdrafts	**(36,814)**	(21,759)	**–**	–
	54,238	3,166	**55,608**	–

Bank balances and cash of approximately HK$5,007,000 and HK$1,131,000 as at 31 December 2005 and 2004 respectively were denominated in Renminbi and kept with banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

28 ACCOUNTS PAYABLE

The ageing analysis of accounts payable at the respective balance sheet dates is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**22,022**	8,054
31 – 60 days	**18,514**	9,681
61 – 90 days	**2,420**	2,390
91 – 120 days	**372**	21
121 – 365 days	**818**	47
Over 365 days	**355**	–
	44,501	20,193

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

29 SHARE CAPITAL

	Group and Company	
	Number of shares	Nominal value
		HK$'000
Authorised share capital		
At incorporation on 24 July 2003 (date of incorporation) and at 31 December 2004 (ordinary shares of HK$0.1 each)	5,000,000	500
Subdivision of one share of HK$0.1 each into 10 shares of HK$0.01 each (Note a)	50,000,000	500
Increase in authorised share capital (Note c)	9,950,000,000	99,500
At 31 December 2005	**10,000,000,000**	**100,000**

	Group and Company	
	Number of shares	Nominal value
		HK$
Issued and fully paid		
At 24 July 2003 (date of incorporation)	–	–
Issue of share of HK$0.1 each at nil paid on 18 August 2003	2	–
At 31 December 2004	2	–
Subdivision of one share of HK$0.1 each into 10 shares of HK$0.01 each (Note a)	20	–
Shares issued for acquisition of Alltronics (BVI) Limited (Note b)	980	9.8
Credited as fully paid of the 20 shares already issued (Note b)	–	0.2
Issue of shares upon initial public offering (Note d)	90,000,000	900,000
Shares credited as fully paid pursuant to the Reorganisation (Note e)	209,999,000	2,099,990
At 31 December 2005	**300,000,000**	**3,000,000**

Notes:

(a) On 17 June 2005, every issued and unissued share of HK$0.1 each in the share capital of the Company was subdivided into 10 shares of HK$0.01 each such that the Company had an authorised share capital of HK$500,000 divided into 50,000,000 shares of HK$0.01 each.

(b) On 17 June 2005, in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the Company acquired the entire issued share capital of Alltronics (BVI) Limited of 100 shares of US$1.00 each, which is satisfied by the Company (i) allotting and issuing 980 new shares of HK$0.01 each, credited as fully paid, to the then shareholders of Alltronics (BVI) Limited, and (ii) crediting as fully paid of the 20 shares of HK$0.01 each as already issued in nil paid on 18 August 2003.

(c) On 22 June 2005, the Company increased its authorised share capital from HK$500,000 to HK$100,000,000 by the creation of an additional 9,950,000,000 shares of HK$0.01 each.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

29 SHARE CAPITAL (Continued)

Notes (Continued):

(d) On 15 July 2005, the Company issued 90,000,000 new shares of HK$0.01 each at HK$0.8 per share by way of placing and public offering in connection with the Listing, raising net proceeds of approximately HK$61 million.

(e) Immediately after the Listing, 209,999,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par value to the then existing shareholders of the Company, by capitalisation of HK$2,099,990 from the share premium account.

The share capital of the Group as at 31 December 2004 represented the combined capital of the Company and its subsidiaries as at that date.

30 RESERVES

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Share issuance costs HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Dividend proposed HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2004	–	5,300	(1,251)	130	–	–	36,249	40,428
Share issuance costs	–	–	(2,555)	–	–	–	–	(2,555)
Profit for the year	–	–	–	–	–	–	38,670	38,670
Dividend paid	–	–	–	–	–	–	(25,000)	(25,000)
Balance at 31 December 2004	–	5,300	(3,806)	130	–	–	49,919	51,543
Balance at 1 January 2005, as per above	–	5,300	(3,806)	130	–	–	49,919	51,543
Share issuance costs	–	–	(8,884)	–	–	–	–	(8,884)
Issue of shares by way of placing and public offer	71,100	–	–	–	–	–	–	71,100
Capitalisation of share premium for issue of new shares (Note 29)	(2,100)	–	–	–	–	–	–	(2,100)
Reclassification of accounts	(12,690)	–	12,690	–	–	–	–	–
Exchange difference	–	–	–	427	–	–	–	427
Acquisition of subsidiary	–	499	–	–	(206)	–	–	293
Profit for the year	–	–	–	–	–	–	26,935	26,935
Interim dividend paid	(10,500)	–	–	–	–	–	–	(10,500)
Proposed final dividend	–	–	–	–	–	4,500	(4,500)	–
Balance at 31 December 2005	45,810	5,799	–	557	(206)	4,500	72,354	128,814

30 RESERVES (Continued)

(b) Company

	Share premium HK$'000	Dividend proposed HK$'000	Retained earnings/ (Accumulated loss) HK$'000	Total HK$'000
Balance at 1 January 2004	–	–	–	–
Loss for the year	–	–	(133)	(133)
Balance at 31 December 2004	–	–	(133)	(133)
Balance at 1 January 2005, as per above	–	–	(133)	(133)
Issue of shares by way of placing and public offer	71,100	–	–	71,100
Capitalisation of share premium for issue of new shares (Note 29)	(2,100)	–	–	(2,100)
Reallocated of the share issuance costs from subsidiary	(12,690)	–	–	(12,690)
Profit for the year	–	–	7,448	7,448
Interim dividend paid	(10,500)	–	–	(10,500)
Proposed final dividend	–	4,500	(4,500)	–
Balance at 31 December 2005	45,810	4,500	2,815	53,125

Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to equity holders subject to an ordinary resolution approved by the board of directors. As at 31 December 2005, in the opinion of the Directors, the Company's reserves available for distribution to equity holders, comprising the share premium account and retained earnings, amounted to approximately HK$53,125,000 (2004: Nil).

31 BORROWINGS

	Group	
	2005	2004
	HK$'000	HK$'000
Bank loans-secured (Note a)	**21,415**	5,580
Obligations under finance leases (Note b)	**3,299**	1,057
Total borrowings, wholly repayable within five years	**24,714**	6,637
Current portion of borrowings	**(14,010)**	(5,104)
	10,704	1,533

Notes:

(a) As at the balance sheet date, the Group's bank loans were repayable as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**12,056**	4,441
In the second year	**5,719**	950
In the third to fifth year	**3,640**	189
	21,415	5,580

(b) As at the balance sheet date, the Group's finance lease liabilities were repayable as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**2,112**	699
In the second year	**1,268**	357
In the third to fifth year	**123**	46
	3,503	1,102
Future finance charges on finance leases	**(204)**	(45)
Present value of finance lease liabilities	**3,299**	1,057

The present value of finance lease liabilities is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**1,954**	663
In the second year	**1,224**	349
In the third to fifth year	**121**	45
	3,299	1,057

31 BORROWINGS (Continued)

(c) The effective interest rates at the balance sheet date were as follows:

	Group	
	2005	2004
Bank loans	**6.2%**	5.2%
Obligations under finance leases	**4.9%**	4.2%

32 DEFERRED INCOME TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% for the year.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(331)**	–
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**1,573**	1,281

The gross movement on the deferred income tax account is as follows:

	2005	2004
	HK$'000	HK$'000
Beginning of the year	**1,281**	1,396
Acquisition of subsidiary (Note 34)	**145**	–
Recognised in the income statement (Note 11)	**(184)**	(115)
End of the year	**1,242**	1,281

32 DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

		Group	
	Tax losses	**Other**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2004	–	–	–
Recognised in the income statement	–	–	–
At 31 December 2004	–	–	–
Recognised in the income statement	–	(27)	(27)
Acquisition of subsidiary (Note 34)	(235)	(69)	(304)
At 31 December 2005	**(235)**	**(96)**	**(331)**

Deferred tax liabilities

		Group	
	Accelerated tax depreciation	**Other**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2004	1,361	35	1,396
Recognised in the income statement	(153)	38	(115)
At 31 December 2004	1,208	73	1,281
Recognised in the income statement	(84)	(73)	(157)
Acquisition of subsidiary (Note 34)	449	–	449
At 31 December 2005	**1,573**	**–**	**1,573**

33 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash generated from operations:

	2005 HK$'000	2004 HK$'000 (Restated)
Operating profit	**38,072**	49,486
Interest income	**(1,564)**	(100)
Depreciation	**7,202**	6,928
Amortisation of land use rights	**50**	38
Loss on disposals of fixed assets	**1,301**	–
Gain on disposals of financial assets at fair value through profit and loss	**(1,993)**	–
Loss on disposals of trading listed securities	**–**	1,093
Unrealised loss on financial assets at fair value through profit or loss	**155**	–
Unrealised gain on trading listed securities	**–**	(424)
Gain on disposal of associated company	**–**	(2)
Dividend income	**(60)**	(251)
Operating profit before working capital changes	**43,163**	56,768
(Increase)/decrease in accounts receivable	**(24,005)**	16,224
Increase in prepayments, deposits and other receivables	**(2,902)**	(2,685)
Increase in inventories	**(23,082)**	(3,957)
Increase in amount due from an associated company	**(91)**	–
Increase in amount due from ultimate holding company	**(29)**	–
Decrease in amount due from a related company	**860**	379
Increase in bills payable	**8,779**	2,885
Decrease in amount due to a director	**–**	(27,918)
Increase in amount due to an associated company	**2,411**	475
Increase in accounts payable	**9,965**	866
Increase/(decrease) in accruals and other payables	**2,232**	(699)
Decrease in trust receipt loans	**(772)**	(1,330)
Net cash generated from operations	**16,529**	41,008

34 BUSINESS COMBINATIONS

On 16 December 2005, the Group acquired further equity interest in an associated company, Southchina, from 25% to a controlling stake of 51%. The revenue and net profit contributed by Southchina to the Group for the period from 16 December 2005 to 31 December 2005 were insignificant. If the acquisition had occurred on 1 January 2005, Group revenue would have been increased by approximately HK$108,088,000 and profit before taxation would have been decreased by HK$927,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration paid in cash	8,300
Direct accounting and legal cost on acquisition	1,107
26% of the fair value of net assets acquired	(1,728)
Goodwill on acquisition of 26% interest in Southchina (Note 17)	7,679

The goodwill is attributable to the high potential of profitability of the acquired business and the significant synergies expected to arise from the Group's acquisition of Southchina.

34 BUSINESS COMBINATIONS (Continued)

The assets and liabilities arising from the acquisition as at 16 December 2005 are as follows:

	Acquiree's carrying amount and fair value HK$'000
Cash and cash equivalents	(6,076)
Pledged bank deposits	4,933
Property, plant and equipment (Note 15)	11,517
Interest in an associated company (Note 19)	188
Available-for-sale financial assets (Note 20)	2,903
Inventories	17,932
Accounts receivable	12,382
Deposits, prepayments and other receivables	1,054
Amount due from minority shareholders	1,340
Amount due from related companies	6,137
Accounts payable	(14,343)
Bills payable, secured	(8,697)
Trust receipts loans, secured	(1,210)
Accruals and other payables	(5,532)
Amount due to associated company	(650)
Amount due to related companies	(297)
Current portion of borrowings	(5,986)
Taxation payable	(665)
Short term loan due from related companies	(4,000)
Long term borrowings	(4,137)
Net deferred tax liabilities (Note 32)	(145)
Net assets	6,648
Minority interests	(3,258)
Net assets acquired	3,390

35 CONTINGENCIES

The Group did not have any contingent liabilities as at 31 December 2005. As at 31 December 2004, the Group has a pending litigation in relation to a fatal traffic accident causing the death of one of its employees during his business trip in the PRC. The litigation has been settled during the year and the amount of compensation was fully covered under the Group's business insurance policy.

36 COMMITMENTS – GROUP

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**3,068**	200
Authorised but not contracted for	**32,240**	–

(b) Financial commitment for investment in a subsidiary

During the year ended 31 December 2004, the Group has set up a wholly own foreign investment enterprise in the PRC with a registered capital of US$1,200,000. As at 31 December 2005 and 2004, the paid up capital amounted to US$180,000. The remaining US$1,020,000 is required to be paid by the Group on or before 12 May 2006.

(c) Operating lease commitments

The Group leases various offices, warehouses and quarters under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Not later than 1 year	**10,540**	3,576
Later than 1 year and not later than 5 years	**18,600**	3,708
Later than 5 years	**3,409**	–
	32,549	7,284

37 BANKING FACILITIES

As at 31 December 2005, the Group's total available banking facilities totaling approximately HK$223 million (2004: HK$162 million) of which approximately HK$122 million (2004: HK$55 million) was unutilised. The facilities were secured by the following:

(a) corporate guarantees given by the Company;

(b) pledge of the Group's fixed deposits of HK$4.9 million (2004:HK$13.4 million)

(c) available-for-sale financial assets held with carrying value of approximately HK$2.9 million (2004: trading securities of HK$15.3 million);

37 BANKING FACILITIES (Continued)

The banking facilities granted to Southchina are also secured by personal guarantees given by Mr. Lam Yin Kee and other minority shareholders of Southchina.

38 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Sales of goods to Maruman (i)	**19,129**	21,109
Sales of goods to Southchina (ii)	**2,424**	167
Purchases of plastic components from Southchina (ii)	**26,711**	23,264
Mould expenses paid to Southchina (ii)	**1,292**	1,664
Rental expenses paid to Profit Home Investments Limited (iii)	**960**	960

(i) Maruman Products Co. Ltd. ("Maruman") is a company incorporated in Japan and owned as to 24.7% by Mr. Lam Yin Kee. Maruman is engaged in the business of trading in general merchandise.

(ii) Southchina was a 25% owned associated company of the Group until 16 December 2005, when the Group acquired a further 26% equity interest in Southchina. Since then, it became a subsidiary of the Group.

(iii) Ms. Yeung Po Wah is a shareholder and director of Profit Home Investments Limited and holds 60% of its issued share capital.

(b) Year end balances arising from the related parties transactions as disclosed in note (a) above were as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Amount due from a related company (Note 23)	**807**	1,667

The outstanding balance with the related company is aged less than one year and is unsecured, non-interest bearing and with normal credit terms of 60 days.

38 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	Group	
	2005	2004
	HK$'000	HK$'000
Directors' fees	**517**	–
Salaries and other short-term employee benefits	**8,760**	7,703
Retirement benefit costs	**96**	73
	9,373	7,776