NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In addition to the first time adoption of a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006, the Group has also applied the following accounting policies in the current period, which has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods have been prepared and presented:

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Intangible assets

On initial recognition, intangible assets acquired from business combinations are recognised at fair value. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit and loss, loans and receivables and held-to-maturity investments. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Installation contracts

Where the outcome of a contract for the installation of network systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and bills receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount could be estimated realisably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In relation to financial guarantees granted to banks over the repayment of loans by a jointly controlled entity and an outsider, the Group has applied the transitional provisions in HKAS 39. This change in accounting policy has had no material effect on the Group's result for current and prior period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006

3. SEGMENTAL INFORMATION

The Group's primary format for reporting segment information is business segments. The following table presents the unaudited figures of revenue and results for the Group's business segments for the six months ended 30 June 2006 and the comparative figures:

For the six months ended 30 June 2006

	Telephone accessories and power cords HK$'000	Adaptors and electronic products HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
REVENUE									
External sales	88,714	41,720	15,675	31,374	20,656	36,752	4,728	-	239,619
Inter-segment sales	19,700	-	55	48	-	-	9,025	(28,828)	-
Total	108,414	41,720	15,730	31,422	20,656	36,752	13,753	(28,828)	239,619
RESULTS									
Segment results	(1,359)	(5,891)	(7,029)	128	(31,089)	2,406	365		(42,469)
Unallocated corporate expenses									(867)
Other income									1,336
Share of results of associates			6,872			(103)			6,769
Share of results of jointly controlled entities						(9,080)	15,301		6,221
Finance costs									(9,323)
Loss before tax									(38,333)
Income tax credit									94
Loss for the period									(38,239)

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

3. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2005

	Telephone accessories and power cords HK$'000	Adaptors and electronic products HK$'000	Printed circuit boards HK$'000	High precision metal components HK$'000	Photomask business HK$'000	Intelligent information business HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
REVENUE									
External sales	92,272	46,515	26,111	29,744	6,693	–	5,634	–	206,969
Inter-segment sales	15,457	3,960	315	–	–	–	10,531	(30,263)	–
Total	107,729	50,475	26,426	29,744	6,693	–	16,165	(30,263)	206,969
RESULTS									
Segment results	(6,937)	(568)	(3,365)	1,181	(51,596)	–	11,181		(50,104)
Unallocated corporate expenses									(12,000)
Other income									3,674
Share of result of an associate			5,693						5,693
Share of results of jointly controlled entities						(2,593)	12,379		9,786
Finance costs									(5,818)
Loss before tax									(48,769)
Income tax expense									(2)
Loss for the period									(48,771)

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

4. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within five years	**5,081**	3,302
Finance lease charges	**1,758**	2,516
Amount due to a related company	**2,484**	–
	9,323	5,818

5. LOSS BEFORE TAX

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging:		
Amortisation of intangible assets (included in distribution costs)	**267**	–
Release of prepaid lease payments charged to income statement	**174**	255
Depreciation of property, plant and equipment	**33,982**	50,711
Impairment loss on golf club membership	**100**	–
Share of tax of associates (included in share of results of associates)	**943**	577
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	**116**	134
and after crediting:		
Gain on disposal of property, plant and equipment	**267**	71
Gain on disposal of assets classified as held for sale	**5,885**	–
Interest income from bank deposits	**220**	224

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The (credit) expense comprises:		
Current tax:		
Hong Kong	**118**	100
The People's Republic of China (the "PRC")	**1,402**	–
	1,520	100
Under(over)provision in prior year:		
Hong Kong	**76**	–
PRC *(Note)*	**(1,574)**	–
	(1,498)	–
Deferred tax	**(116)**	(98)
	(94)	2

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Note: During the period, one of the newly acquired subsidiaries of the Company was designated as one of the Most Outstanding Software Enterprises of year 2005 as defined by the National Development Bureau of the PRC and was subject to corporate income tax rate of 10% for the year ended 31 December 2005, being a preferential tax rate applicable to the Most Outstanding Software Enterprises. This resulted in a tax refund of approximately HK$1,574,000.

7. DIVIDENDS

No dividends were paid during the period. The Directors do not declare an interim dividend.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK$40,118,000 (six months ended 30 June 2005: HK$49,227,000) and on the weighted average number of 1,466,921,321 (six months ended 30 June 2005: 1,199,003,583) ordinary shares in issue during the period.

No diluted earnings per share has been presented because the exercise price of the Company's share options were higher than the average market price of the shares for both periods.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

At 30 June 2006, the Directors considered the carrying amount of the Group's investment properties carried at fair value and estimated that the carrying amount do not differ significantly from that which would be determined using fair value at the balance sheet date. Consequently, no fair value adjustment has been recognised in the current period.

During the period, the Group incurred approximately HK$21,521,000 on acquisition of property, plant and equipment in order to upgrade its operating capacities.

10. GOODWILL

During the six months ended 30 June 2006, the Group acquired 71.3% interest in Sino Stride Technology (Holdings) Limited ("SST"). SST was incorporated in Cayman Islands and its shares are listed on the Growth Enterprise Market of the Stock Exchange. The principal activities of SST and its subsidiaries are development and provision of system integration solutions, system design and sale of system hardware.

In March 2006, the Company acquired 758,819,000 shares of SST, representing approximately 69.8% of the issued share capital of SST through share exchange of 505,879,292 shares of the Company. Subsequently in April 2006, the Company further acquired an aggregate of 15,880,000 shares of SST, representing approximately 1.5% of the issued share capital of SST through share exchange of 10,586,634 shares of the Company. As at 30 June 2006, the Company held an aggregate of 774,699,000 shares of SST, representing approximately 71.3% of the issued share capital of SST. The fair value of the ordinary shares of the Company issued as the consideration for the acquisition of SST, determined using the published price available at the dates of acquisition, amounted to approximately HK$227,077,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

10. GOODWILL (continued)

The net assets acquired in the above purchase transactions, and the goodwill arising, are as follows:

	Acquiree's carrying amount *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	9,191	–	9,191
Intangible assets	3,633	1,473	5,106
Interests in associates	2,359	–	2,359
Available-for-sale investments	6,014	–	6,014
Inventories	36,452	–	36,452
Trade receivables	44,686	–	44,686
Other receivables	51,532	–	51,532
Amounts due from customers for contract works	167,737	–	167,737
Amount due from a related company	4,753	–	4,753
Pledged bank deposits	20,276	–	20,276
Bank balances and cash	11,617	–	11,617
Trade and bill payables	(85,228)	–	(85,228)
Other payables and accruals	(60,718)	–	(60,718)
Tax liabilities	(6,193)	–	(6,193)
Bank borrowings	(78,846)	–	(78,846)
Minority interests	(4,007)	–	(4,007)
	123,258	1,473	124,731
71.3% of net assets acquired			88,933
Goodwill			138,144
Total consideration, satisfied by share exchange			227,077

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

10. GOODWILL (continued)

The goodwill arising on the acquisition of SST is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination. During the period, management of the Group determines that there are no impairments on the goodwill arising from the acquisition of SST as the recoverable amount of SST (being the cash generating units of the goodwill) is in excess of the carrying amounts of the goodwill and the net asset value of SST. The recoverable amount of SST has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation use cash flow projections based on financial budget approved by the management of the Group covering a five-year period, and a discount rate of 7.58%. Cash flow projections during the budget period for SST are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

SST contributed approximately HK$36,752,000 to the Group's revenue and approximately HK$2,623,000 to the Group's profit attributable to equity holders of the Company for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total Group's revenue for the period would have been approximately HK$289,649,000, and loss for the period attributable to equity holders of the Company would have been approximately HK$39,907,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

11. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 60 days of issuance, each customer has a designated credit limit.

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

	30 June 2006	31 December 2005
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**128,125**	106,928
91- 180 days	**25,460**	24,199
181 – 365 days	**11,635**	4,148
366 days – 2 years	**14,032**	1,078
Over 2 years	**173**	–
	179,425	136,353

12. BALANCES WITH RELATED COMPANIES

The balances are unsecured and repayable on demand. Except for the amount due to a related company amounting to approximately HK$72,207,000 and HK$30,000,000 which bear interest at 5% and 5.14% per annum respectively, the remaining balances are non-interest bearing.

13. TRADE AND BILLS PAYABLES

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

	30 June 2006	31 December 2005
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**82,985**	54,910
91 -180 days	**21,415**	6,815
181 – 365 days	**17,670**	153
366 days – 2 years	**7,535**	791
Over 2 years	**58**	–
	129,663	62,669

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to approximately HK$50,581,000 and repaid approximately HK$74,303,000. The borrowings bear interest at market rates ranging from 6% to 8% and are repayable in instalments over a period of one to five years. The proceeds were used to finance the purchase of raw materials and acquisition of plant and equipment.

15. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Ordinary shares of HK$0.25 each		
Authorised:		
At 1 January 2006	2,000,000,000	500,000
Increase during the period *(Note)*	2,000,000,000	500,000
At 30 June 2006	4,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2006	1,199,003,583	299,751
Issued as consideration for the acquisition of SST	516,465,926	129,116
At 30 June 2006	1,715,469,509	428,867

Note: By the ordinary resolution passed on 26 May 2006 at the annual general meeting, the authorised share capital of the Company was increased from HK$500 million to HK$1,000 million by the creation of additional 2,000 million shares of HK$0.25 each.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

16. CAPITAL COMMITMENTS

	30 June 2006 ***HK$'000*** **(unaudited)**	31 December 2005 *HK$'000* (audited)
Commitments in respect of the acquisition of property, plant and equipment		
Contracted but not provided for	**4,285**	4,217
Authorised but not contracted for	**891**	–
	5,176	4,217
The Group's share of a jointly controlled entity's capital commitments contracted but not provided for	**2,685**	–

17. FINANCIAL GUARANTEE CONTRACTS

	30 June 2006 ***HK$'000*** **(unaudited)**	31 December 2005 *HK$'000* (audited)
Guarantee for banking facilities utilised by:		
A jointly controlled entity	**42,942**	81,733
An outsider	**9,680**	–
	52,622	81,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

18. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had significant related party transactions as follows:

	Notes	**Six months ended 30 June 2006 HK$'000 (unaudited)**	Six months ended 30 June 2005 *HK$'000* (unaudited)
Management fees paid to a controlling shareholder	*(i)*	**480**	480
Management fees paid to a related company	*(ii)*	**240**	240
Rental paid to a controlling shareholder	*(iii)*	**52**	–
Rental paid to related companies	*(iv)*	**534**	408
Interest expenses paid to a related company	*(v)*	**2,484**	–
Sales to a jointly controlled entity		**86**	6,810
Utility expenses charged to a jointly controlled entity		**4,266**	4,932
Purchases from a jointly controlled entity		**23,197**	19,237
Purchases from related companies	*(vi)*	**4,341**	2,447
Management fees received from a jointly controlled entity	*(vii)*	**308**	490

Notes:

(i) Management fees were paid to Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a controlling shareholder of the Company, for the provision of management services.

(ii) Management fees were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), a subsidiary of Shougang Holding, for the provision of management services.

(iii) Rentals were paid to Shougang Holding in relation to premises occupied and used by the Group as staff quarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

18. RELATED PARTY TRANSACTIONS (continued)

(a) During the period, the Group had significant related party transactions as follows: (continued)

Notes: (continued)

(iv) Rentals were paid to Good News Investment Limited, a wholly-owned subsidiary of Shougang International and Sino Stride Holdings Limited, a company beneficially owned by Mr. Chau Chit, a Director, Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and an outsider, in the proportion of 50%, 30% and 20%, respectively, relating to the premises occupied and used by the Group as its office.

(v) Interest expenses were paid to Shougang (Hong Kong) Finance Company Limited, a subsidiary of Shougang Holding for granting interest-bearing loan advanced to the Group.

(vi) Purchases were made from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both are wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holding is a controlling shareholder.

(vii) Management fees were received from a jointly controlled entity for the provision of management service.

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management of the Company during the period was as follows:

	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**2,907**	2,743
Post-employment benefits	**126**	126
Share-based payments	**–**	2,852
	3,033	5,721

The remuneration of the Directors and key executives of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

19. POST BALANCE SHEET EVENTS

In July 2006, a flood happened in Dongguan, the PRC and caused significant damage to the assets of the Group. The damage included machineries and inventories which were estimated to have a book value of approximately HK$5,077,000 and HK$21,174,000, respectively. Management is currently negotiating with an insurance company and the insurance claim amount to be received is estimated to be approximately HK$30,449,000. However, up to the date of report, there is no insurance claim received from the insurance company as the Group has not reached a settlement agreement with the insurance company and negotiations are still in progress.

On 24 August 2006, SST announced a proposed voluntary withdrawal of listing of the ordinary shares of HK$0.01 each in the share capital of SST (the "Shares") (the "Proposed Withdrawal") that would be conditional upon the approval by the registered holders of the Shares excluding Made Connection Limited (a wholly-owned subsidiary of the Company) and its associates at an extraordinary general meeting convened on 19 September 2006 (the "EGM"). In view that SST is in the process of clarifying the applicability of the Code of Share Repurchases in connection with the Proposed Withdrawal, the EGM has been adjourned to a later date to be determined by SST (the "Adjournment"). Details of the Proposed Withdrawal and Adjournment were disclosed in the circular and the announcement issued by SST dated 4 September 2006 and 19 September 2006 respectively.