Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on March 17, 2005. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated April 28, 2005.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended June 30, 2005 had been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for the Group Reconstructions" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs 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 and/or prior accounting years are prepared and presented:

BUSINESS COMBINATIONS

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after January 1, 2005. The Group has not entered into any agreement between the period from January 1, 2005 to June 30, 2005. On July 1, 2005, the Group has applied the relevant transitional provision in HKFRS 3 and this change in accounting policy has had no material financial impact on the Group's results for the current and prior accounting periods.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

OWNER-OCCUPIED LEASEHOLD INTEREST IN LAND

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. This change in accounting policy has had no material financial impact on the Group's results for the current and prior accounting periods.

FINANCIAL INSTRUMENTS

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current or prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From July 1, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as ''financial assets at fair value through profit or loss", ''available-for-sale financial assets", ''loans and receivables" or "held-to-maturity financial assets". Financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices 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 are measured at cost less impairment after initial recognition. Loans and receivables and held-to-maturity financial assets are measured at amortised cost using the effective interest method after initial recognition.

Financial liabilities are generally classified as ''financial liabilities at fair value through profit or loss" or ''other financial liabilities''. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no material financial impact to the Group for current or prior accounting periods.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from July 1, 2005 onwards. As a result, the Group's bills receivable discounted with full recourse which were derecognised prior to July 1, 2005 have not been restated. As at June 30, 2006, the Group's bills receivable discounted with full recourse with carrying amount of HK$39,592,000 have not been derecognised. The relevant finance costs incurred in order to obtain such borrowings are included in the income statement. Instead, the related borrowings of HK$39,592,000 have been recognised on the balance sheet date. This change in accounting policy has had no material effect on results for the current year.

INVESTMENT PROPERTIES

HKAS 40 has removed the 15% benchmark for determining the significance of the portion of property held for own use or leased to outsiders which was previously allowed under SSAP 13. The Group has a property comprises a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. Under HKAS 40, if the leased portions could be sold separately, the Group is required to account for that portion separately as investment properties. Accordingly, certain property held for rental purpose, previously included in property, plant and equipment under HKAS 16 "Property, plant and equipment" has been classified to investment properties. These changes in accounting policies have been applied retrospectively (see Note 3 for the financial impact).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described above on the results for the current and prior years are as follows:

	2006	2005
	HK$'000	*HK$'000*
Release of prepaid lease payments	**454**	472
Decrease in depreciation of property, plant and equipment	**(454)**	(472)
Result for the year	**–**	–

The cumulative effects of the application of the new HKFRSs on June 30, 2005 are summarised below:

	At June 30, 2005 (originally stated)	**Effect of HKAS 17**	**Effect of HKAS 40**	**At June 30, 2005 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items				
Property, plant and equipment	212,165	(21,942)	(590)	189,633
Prepaid lease payments	–	21,942	(639)	21,303
Investment properties	–	–	1,229	1,229
Total effect on assets	212,165	–	–	212,165

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HKFRS – INT 4	Determining whether an arrangement contains a lease[2]
HKFRS – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[7]

1 Effective for annual periods beginning on or after January 1, 2007.
2 Effective for annual periods beginning on or after January 1, 2006.
3 Effective for annual periods beginning on or after December 1, 2005.
4 Effective for annual periods beginning on or after March 1, 2006.
5 Effective for annual periods beginning on or after May 1, 2006.
6 Effective for annual periods beginning on or after June 1, 2006.
7 Effective for annual periods beginning on or after November 1, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

GOODWILL

Goodwill arising on acquisition on or after January 1, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after January 1, 2005 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. Such goodwill is carried at cost less any accumulated impairment losses.

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

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.

INVESTMENTS IN ASSOCIATES

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENTS IN ASSOCIATES *(Continued)*

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivables and represents amounts for goods and services provided in the normal course of business.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Management fee income is recognised when the services are rendered.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress is stated at cost less any accumulated impairment losses. Cost comprises direct and indirect costs of acquisition or construction. No depreciation is provided on construction in progress until the construction is completed and the relevant asset is ready for use. When the asset concerned is brought into use, the carrying amount is transferred from construction in progress to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Asset held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

INVESTMENT PROPERTIES

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT PROPERTIES *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

INTANGIBLE ASSETS

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

Gains or losses arising from derecognition of any intangible assets 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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

IMPAIRMENT (OTHER THAN GOODWILL)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition, Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, other long-term payable, bank and other borrowings and obligations under finance leases, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds, net of direct issue costs.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure against foreign currencies. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after July 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RETIREMENT BENEFIT COSTS

Payments to the Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") and the state-managed retirement benefit schemes are charged as expenses as they fall due.

RESEARCH AND DEVELOPMENT EXPENDITURE

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.

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

DEPRECIATION

The Group's carrying value of property, plant and equipment as at June 30, 2006 is HK$186,614,000. The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into their estimated residual values, using the straight-line method at the rates as detailed in note 15. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

IMPAIRMENT LOSS ON TRADE RECEIVABLES

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status, creditworthiness and the past collection history of each customer. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at June 30, 2006, the carrying value of trade receivables is HK$234,612,000.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

INVESTMENT PROPERTIES

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4. The fair value of the investment properties is determined by DTZ Debenham Tie Leung Limited, a firm of independently qualified professional valuers, and the fair value of investment properties as at the respective year end was set out in note 17. Such valuations were based on certain assumptions, which were subject to uncertainty. In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

ESTIMATED IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at June 30, 2006, the carrying amount of goodwill was HK$64,180,000. Details of the recoverable amount calculation are disclosed in note 18.

IMPAIRMENT FOR INVENTORIES

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, available-for-sale investments, amount due from an associate, pledged bank deposits, bank balances, trade and other payables, bank and other borrowings, obligations under finance leases and derivative financial instruments. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

CREDIT RISK

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at June 30, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group is exposed to concentration risk as a significant portion of its business is derived from its top five customers. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual receivable at the balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

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

CURRENCY RISK

Certain trade and other receivables and trade and other payables of the Group are denominated in foreign currencies. The Group's foreign exchange exposures arise mainly from the exchange rate movements of Renminbi, Euro and United States dollars. The Group has entered into derivative instruments to hedge against the risk this year.

INTEREST RATE RISK

The Group is exposed to fair value and cash flow interest rate risks through fixed and variable interest rates bank deposits, borrowings and obligations under finance leases. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold, less returns and allowances, by the Group to outside customers during the year.

8. SEGMENT INFORMATION

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three operating divisions – digital television reception products, connectors and cables and communication related products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Digital television reception products	–	manufacture and trading of digital television reception products
Connectors and cables	–	manufacture and trading of connectors and cables
Communication related products	–	manufacture and trading of assorted electronic accessories

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

8. SEGMENT INFORMATION *(Continued)*

BUSINESS SEGMENTS *(Continued)*

Year ended June 30, 2006

	Digital television reception products	Connectors and cables	Communication related products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	524,619	353,693	212,030	1,090,342
RESULT				
Segment result	60,698	59,691	12,000	132,389
Other income				23,835
Increase in fair value of investment properties				2,891
Unallocated corporate expenses				(117,449)
Reversal of allowance for loans to an associate	–	–	6,169	6,169
Share of result of an associate	1,225	–	–	1,225
Finance costs				(14,339)
Profit before taxation				34,721
Income tax expense				(1,202)
Profit for the year				33,519

At June 30, 2006

BALANCE SHEET

	Digital television reception products	Connectors and cables	Communication related products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	555,787	173,485	55,189	784,461
Interests in an associate	3,987	–	–	3,987
Unallocated corporate assets				195,823
Consolidated total assets				984,271
LIABILITIES				
Segment liabilities	201,614	52,849	51,745	306,208
Unallocated corporate liabilities				249,980
Consolidated total liabilities				556,188

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

8. SEGMENT INFORMATION *(Continued)*

BUSINESS SEGMENTS *(Continued)*

Year ended June 30, 2006

OTHER INFORMATION

	Digital television reception products *HK$'000*	Connectors and cables *HK$'000*	Communication related products *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
Capital additions	**8,415**	**3,809**	**1,898**	**1,135**	**15,257**
Depreciation and amortisation	**14,118**	**10,462**	**5,972**	**1,330**	**31,882**
Loss on disposal of property, plant and equipment	**12**	**249**	**437**	**–**	**698**
Release of prepaid lease payments	**196**	**54**	**12**	**180**	**442**

Year ended June 30, 2005

	Digital television reception products *HK$'000*	Connectors and cables *HK$'000*	Communication related products *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE					
External sales	828,343	246,194	233,585	–	1,308,122
Inter-segment sales	–	11,805	–	(11,805)	–
Total	828,343	257,999	233,585	(11,805)	1,308,122
RESULT					
Segment result	99,505	38,928	23,191	–	161,624
Other income					29,012
Unallocated corporate expenses					(78,247)
Allowance for loans to associates	–	–	(334)	–	(334)
Gain on dissolution of subsidiary	1,410	–	–	–	1,410
Finance costs					(7,913)
Profit before taxation					105,552
Income tax expense					(5,787)
Profit for the year					99,765

Inter-segment sales are charged at cost plus a percentage of profit mark-up.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

8. SEGMENT INFORMATION *(Continued)*

BUSINESS SEGMENTS *(Continued)*

At June 30, 2005

BALANCE SHEET

	Digital television reception products *HK$'000*	Connectors and cables *HK$'000*	Communication related products *HK$'000*	Total *HK$'000*
ASSETS				
Segment assets	398,458	78,654	155,239	632,351
Interests in associates	–	–	13,331	13,331
Unallocated corporate assets				219,638
Consolidated total assets				865,320
LIABILITIES				
Segment liabilities	114,556	46,286	65,292	226,134
Unallocated corporate liabilities				235,856
Consolidated total liabilities				461,990

Year ended June 30, 2005

OTHER INFORMATION

	Digital television reception products *HK$'000*	Connectors and cables *HK$'000*	Communication related products *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
Capital additions	18,506	7,257	13,763	6,874	46,400
Depreciation	17,662	2,084	4,293	2,706	26,745
Loss on disposal of property, plant and equipment	–	–	3	–	3
Release of prepaid lease payments	194	57	52	169	472

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

8. SEGMENT INFORMATION *(Continued)*

GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2006	2005
	HK$'000	*HK$'000*
Middle East	**321,572**	607,326
Europe	**319,256**	246,856
North America	**314,729**	314,412
South America	**66,967**	47,515
Asia	**63,750**	90,260
Other regions	**4,068**	1,753
	1,090,342	1,308,122

Since the goods sold to various geographical markets were principally produced from the same production facilities located in The People's Republic of China (the "PRC"), analysis of assets and liabilities by geographical market is not presented.

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**11,286**	8,281
– bank borrowings not wholly repayable within five years	**344**	242
– obligations under finance leases	**267**	297
– other long-term payable	**2,653**	–
Total borrowing costs	**14,550**	8,820
Less: Amount capitalised	**(211)**	(907)
	14,339	7,913

Borrowing costs capitalised during the year arose on bank borrowings and are calculated by applying a capitalisation rate of 5.9% (2005: 4.6%).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

10. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Taxation in other jurisdictions	**4,969**	5,589
PRC enterprise income tax refunded in respect of reinvestment of dividend declared	**(3,282)**	–
	1,687	5,589
Deferred taxation (credit) charge *(note 22)*	**(485)**	198
	1,202	5,787

No tax is payable on the profit for the year arising on Hong Kong since the assessable profit of the subsidiary operating in Hong Kong is wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax had been made for the year ended June 30, 2005 as the subsidiary operating in Hong Kong incurred a tax loss.

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

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempted from the PRC enterprise income tax for the first two years commencing from their first profit-making year of operations and thereafter, the PRC subsidiary will be entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 12% ("Reduced Tax Rate"). After the expiry of the tax relief period on December 31, 2004, the PRC subsidiary can apply for Reduced Tax Rate on a yearly basis if it qualifies as an exported oriented enterprise. The PRC subsidiary was qualified as an exported oriented enterprise for the year ended December 31, 2005 and continued to enjoy the Reduced Tax Rate.

The tax charge for the year can be reconciled to the profit per consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**34,721**	105,552
Tax at the applicable rate of 24%	**8,333**	25,332
Tax effect of income subject to Reduced Tax Rate	**(3,260)**	(4,153)
Tax effect of income exempted from income tax	**–**	(15,695)
Tax effect of expenses not deductible for tax purpose	**7,027**	1,936
Tax effect of income not taxable for tax purpose	**(5,995)**	(611)
Tax effect of tax losses not recognised	**1,609**	2,394
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,657)**	(3,851)
Utilisation of tax losses previously not recognised	**(573)**	–
Derecognition of deferred tax assets previously recognised	**–**	360
PRC enterprise income tax refunded in respect of reinvestment of dividend declared	**(3,282)**	–
Others	**–**	75
Tax charge for the year	**1,202**	5,787

Details of deferred taxation for the year are set out in note 22.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

11. PROFIT FOR THE YEAR

	2006	2005
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments *(note 12)*	**9,390**	6,384
Other staff costs	**81,634**	72,515
Retirement benefit scheme contributions, excluding directors	**4,449**	1,450
Share-based payment expense, excluding directors	**167**	–
Total employee benefit expenses	**95,640**	80,349
Auditors' remuneration	**1,812**	942
Depreciation of property, plant and equipment	**31,761**	26,745
Amortisation of intangible asset (included in administrative expenses)	**121**	–
Release of prepaid lease payments	**442**	472
Loss on disposal of property, plant and equipment	**698**	3
Research and development expenses	**14,093**	9,805
Impairment loss for bad and doubtful debts	**15,718**	–
Bad and doubtful debts written off	**473**	–
Net foreign exchange loss	**1,291**	–
and after crediting:		
Bank interest income	**2,514**	1,237
Net foreign exchange gain	**–**	4,872
Management fee income	**525**	1,260
Increase in fair value of derivative financial instruments	**336**	–
Reversal of impairment loss for bad and doubtful debts	**–**	1,575

Included in the total employee benefit expenses is an aggregate amount of HK$4,507,000 (2005: HK$1,480,000) in respect of contributions of retirement benefits schemes made by the Group.

The cost of inventories (recognised as an expense) of the Group approximates the cost of sales as disclosed in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2005: nine) directors were as follows:

Year ended June 30, 2006

	Mr. Hung Tsung Chin	Ms. Chen Mei Huei	Mr. Wang Yao Chu	Mr. Liao Wen I	Mr. Yip Ho Chi	Mr. Chen Jo Wan	Mr. Hsu Chun Yi	Mr. Chen Chung Ho	Mr. Tsan Wen Nan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	–	40	40	40	120
Other emoluments:										
– salaries and other benefits	1,939	1,750	1,603	1,304	845	–	–	–	–	7,441
– bonus	347	825	233	183	83	–	–	–	–	1,671
– retirement benefit schemes contributions	12	12	11	11	12	–	–	–	–	58
– share-based payment expense	20	20	20	20	20	–	–	–	–	100
Total emoluments	2,318	2,607	1,867	1,518	960	–	40	40	40	9,390

Year ended June 30, 2005

	Mr. Hung Tsung Chin	Mr. Wang Yao Chu	Mr. Liao Wen I	Ms. Chen Mei Huei	Mr. Yip Ho Chi	Mr. Chen Jo Wan	Mr. Hsu Chun Yi	Mr. Chen Chung Ho	Mr. Tsan Wen Nan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	10	10	10	10	40
Other emoluments:										
– salaries and other benefits	1,337	1,120	926	1,043	695	–	–	–	–	5,121
– bonus	329	287	178	358	41	–	–	–	–	1,193
– retirement benefit schemes contributions	5	4	4	5	12	–	–	–	–	30
Total emoluments	1,671	1,411	1,108	1,406	748	10	10	10	10	6,384

(B) EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: five) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining individual are as follow:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**1,135**	–
Retirement benefit schemes contributions	**18**	–
	1,153	–

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(B) EMPLOYEE'S EMOLUMENTS *(Continued)*

The emoluments were within the following band:

	2006 No. of employees	2005 No. of employees
HK$1,000,001 to HK$1,500,000	**1**	–

During the two years ended June 30, 2006 and 2005, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments for the years ended June 30, 2006 and 2005.

13. DIVIDENDS

	2006 *HK$'000*	2005 *HK$'000*
Dividends recognised during the year represents:		
2004 final dividend paid by a subsidiary to its then shareholders prior to the Group Reorganisation	**–**	3,000
2005 final dividend of HK6.9 cents per ordinary share	**35,099**	–
	35,099	3,000

No final dividend is proposed by the directors for the year ended June 30, 2006 (2005: HK6.9 cents per ordinary share).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006 *HK$'000*	2005 *HK$'000*
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to equity holders of the Company	**33,378**	99,765

	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**508,682,000**	435,877,227
Effect of dilutive potential ordinary shares in respect of share options	**123,216**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**508,805,216**	435,877,227

No diluted earnings per share had been presented for the year ended June 30, 2005 because there were no potential ordinary shares in issue.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST									
At July 1, 2004									
– as originally stated	–	108,037	4,500	132,667	6,357	5,829	4,365	5,541	267,296
– effects of changes in accounting policies	2,326	(27,501)	–	–	–	–	–	–	(25,175)
– as restated	2,326	80,536	4,500	132,667	6,357	5,829	4,365	5,541	242,121
Exchange adjustments	162	38	–	–	53	–	–	–	253
Additions	–	2,574	4,355	19,287	4,781	904	948	13,551	46,400
Transfers	–	15,590	–	–	–	–	–	(15,590)	–
Disposals	–	–	–	(33)	(968)	–	(11)	–	(1,012)
Upon dissolution of a subsidiary	–	–	–	–	(228)	–	–	–	(228)
At June 30, 2005	2,488	98,738	8,855	151,921	9,995	6,733	5,302	3,502	287,534
Exchange adjustments	6	2,611	202	4,775	168	224	94	67	8,147
Additions	–	–	838	9,948	1,469	203	135	2,664	15,257
Acquired on acquisition of subsidiaries	791	7,677	1,368	11,046	371	987	668	–	22,908
Transfers	–	6,233	–	–	–	–	–	(6,233)	–
Transfer to investment properties	–	(16,000)	(2,031)	–	–	–	–	–	(18,031)
Disposals	–	–	–	(7,597)	(168)	–	(253)	–	(8,018)
At June 30, 2006	3,285	99,259	9,232	170,093	11,835	8,147	5,946	–	307,797
DEPRECIATION									
At July 1, 2004									
– as originally stated	–	10,242	1,718	54,405	2,830	2,841	2,304	–	74,340
– effects of changes in accounting policies	–	(2,171)	–	–	–	–	–	–	(2,171)
– as restated	–	8,071	1,718	54,405	2,830	2,841	2,304	–	72,169
Exchange adjustments	–	33	4	–	53	–	–	–	90
Provided for the year	–	2,629	707	19,995	1,558	899	957	–	26,745
Eliminated on disposals	–	–	–	(31)	(968)	–	(10)	–	(1,009)
Eliminated on dissolution of a subsidiary	–	–	–	–	(94)	–	–	–	(94)
At June 30, 2005	–	10,733	2,429	74,369	3,379	3,740	3,251	–	97,901
Exchange adjustments	–	189	34	2,370	94	106	22	–	2,815
Provided for the year	–	1,974	1,535	23,450	2,414	1,259	1,129	–	31,761
Transfer to investment properties	–	(3,662)	(827)	–	–	–	–	–	(4,489)
Eliminated on disposals	–	–	–	(6,520)	(80)	–	(205)	–	(6,805)
At June 30, 2006	–	9,234	3,171	93,669	5,807	5,105	4,197	–	121,183
CARRYING VALUES									
At June 30, 2006	3,285	90,025	6,061	76,424	6,028	3,042	1,749	–	186,614
At June 30, 2005	2,488	88,005	6,426	77,552	6,616	2,993	2,051	3,502	189,633

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	50 years or over the term of lease or land use rights, whichever is shorter
Leasehold improvements	20% or over the term of lease, whichever is shorter
Plant and machinery	10% – 33$\frac{1}{3}$%
Furniture, fixtures and equipment	20%
Motor vehicles	20% – 33$\frac{1}{3}$%
Computer equipment	20% – 33$\frac{1}{3}$%

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

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

	2006	2005
	HK$'000	*HK$'000*
The carrying value of freehold land shown above comprises:		
Taiwan	**2,446**	2,488
Italy	**839**	–
	3,285	2,488

The carrying value of plant and machinery includes an amount of HK$6,044,000 (2005: HK$9,279,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong		
Long lease	**8,343**	8,512
Leasehold land outside Hong Kong		
Medium-term lease	**13,276**	12,791
	21,619	21,303
Analysed for reporting purposes as:		
Current asset	**480**	475
Non-current asset	**21,139**	20,828
	21,619	21,303

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUES	
At July 1, 2004, as originally stated	–
Effect of changes in accounting policies	1,229
At July 1, 2004, as restated and June 30, 2005	1,229
Exchange adjustments	490
Transfer from property, plant and equipment	13,542
Transfer from prepaid lease payments	1,922
Changes in fair value recognised in the income statement	2,891
At June 30, 2006	**20,074**

The fair value of the Group's investment properties at June 30, 2006 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuer not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors (the "HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Valuation Standards (First Edition 2005) on Valuation of Properties published by the HKIS, was arrived at by reference to market evidence of transaction prices for similar properties.

The carrying value of investment properties shown above comprises properties situated in the PRC under medium-term lease. They are held for rental purpose under operating lease.

18. GOODWILL

	HK$'000
CARRYING VALUES	
At July 1, 2004 and June 30, 2005	–
Arising on acquisition of subsidiaries	64,180
At June 30, 2006	**64,180**

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to two cash generating units ("CGUs") which are digital television reception products segment and connectors and cables segment. The carrying amounts of goodwill as at June 30, 2006 allocated to these units are as follows:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

18. GOODWILL *(Continued)*

Goodwill	*HK$'000*
Digital television reception products	58,070
Connectors and cables	6,110
	64,180

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of these units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, from the balance sheet date and discount rates of 10.7% applied for digital television reception products segment and 3.8% applied for connectors and cables segment. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these units to exceed the aggregate recoverable amount of this unit.

19. INTANGIBLE ASSET

	Trademarks *HK$'000*
COST	
At July 1, 2004 and June 30, 2005	–
Arising on acquisition of subsidiaries	1,211
At June 30, 2006	1,211
AMORTISATION	
At July 1, 2004 and June 30, 2005	–
Provided for the year	121
At June 30, 2006	121
CARRYING VALUES	
At June 30, 2006	1,090
At June 30, 2005	–

The above intangible asset has definite useful life. Such intangible asset is amortised on a straight-line basis over 5 years.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

20. INTEREST IN AN ASSOCIATE

	2006	2005
	HK$'000	*HK$'000*
Cost of investment in an associate, unlisted	**2,762**	–
Share of post-acquisition profits	**1,225**	–
Loans to an associate, less allowance	**–**	13,331
	3,987	13,331

The loans were unsecured, interest-free and were capitalised during the year after the Group further acquired additional 1% interest of the associate (see note 34).

As at June 30, 2006, the Group had an interest in the following associate:

Name of associate	Form of business structure	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued share indirectly held by the Group	Principal activity
FTE Maximal – Comercio de Antenas e electronica, Lda	Incorporated	Portugal	Euro20,000	50%	Trading of electronic goods

The summarised financial information in respect of the Group's associate is set out below:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**12,350**	31,139
Total liabilities	**(4,375)**	(43,457)
Net assets (liabilities)	**7,975**	(12,318)
Group's share of net assets of associate	**3,987**	–
Revenue	**13,940**	20,723
Profit (loss) for the year	**2,450**	(610)
Group's share of result of associate for the year	**1,225**	–

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments at June 30, 2006 represent listed equity investments outside Hong Kong.

As at the balance sheet date, all available-for-sale investments are stated at fair value. Fair value of those investments have been determined by reference to bid prices quoted in active markets.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years.

	Tax losses	Deferred expenditure	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At July 1, 2004	504	231	(144)	591
(Charge) credit to income statement for the year	(504)	162	144	(198)
At June 30, 2005	–	393	–	393
Exchange adjustments	–	48	(66)	(18)
Arising on acquisitions of subsidiaries	–	500	(1,228)	(728)
Credit to income statement for the year	51	293	141	485
At June 30, 2006	**51**	**1,234**	**(1,153)**	**132**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset, the following is the analysis of the deferred tax balances for financial reporting purposes:

	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets	**622**	393
Deferred tax liabilities	**(490)**	–
	132	393

At June 30, 2006, the Group has unused tax losses of HK$47,964,000 (2005: HK$29,869,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$292,000 (2005: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

Included in unused tax losses are losses not recognised of HK$20,487,000 and HK$6,630,000 (2005: HK$17,020,000 and HK$8,875,000) that will expire in five and ten years, respectively, from the respective balance sheet dates. Other tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

23. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials	**133,843**	117,153
Work in progress	**62,153**	22,583
Finished goods	**77,311**	51,336
	273,307	191,072

24. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet dates:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**64,392**	80,813
31 – 60 days	**44,208**	62,220
61 – 90 days	**26,640**	58,539
91 – 180 days	**18,128**	62,028
More than 181 days	**81,244**	–
	234,612	263,600
Other receivables	**60,463**	47,560
Total trade and other receivables	**295,075**	311,160

The fair values of the Group's trade and other receivables as at June 30, 2006 approximate their corresponding carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

25. AMOUNT DUE FROM/TO AN ASSOCIATE

The amount due from an associate is arose from trading balance and the aged analysis at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**1,242**	–
31 – 60 days	**463**	–
	1,705	–

The amount due to an associate was arose from trading balance and the aged analysis at the balance sheet date was as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**–**	510
31 – 60 days	**–**	382
61 – 90 days	**–**	464
Over 90 days	**–**	1,941
	–	3,297

The amounts due from/to an associate are unsecured, interest-free and are repayable on demand.

The fair value of the Group's amount due from an associate at June 30, 2006 approximates its carrying amount.

26. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group had entered into forward sale contracts in United States dollars in exchange for Renminbi. As at June 30, 2006, the notional principal amount of the outstanding contracts is USD22,000,000 which will be matured within one year and the changes in the fair value are recognised in the income statement in accordance with HKAS 39.

The derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the market prices provided by financial institutions for equivalent instruments at the balance sheet date.

27. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term bank borrowings granted to the Group. The deposits carry fixed interest rate ranged from 1.05% to 4.99% (2005: 0.73% to 3.16%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair values of the Group's pledged bank deposits as at June 30, 2006 approximate their corresponding carrying values.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

28. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The bank deposits carry fixed interest rates ranged from 0.07% to 4.98% (2005: 0.01% to 3.15%) per annum. The fair values of these amounts at the balance sheet date approximate their corresponding carrying values.

29. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**77,061**	118,653
31 – 60 days	**55,030**	32,981
61 – 90 days	**47,698**	47,302
91 – 180 days	**25,916**	19,685
181 – 365 days	**346**	–
	206,051	218,621
Other payables	**71,173**	66,431
Total trade and other payables	**277,224**	285,052

The fair values of the Group's trade and other payables at June 30, 2006 approximate their corresponding carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

30. BANK AND OTHER BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Trust receipt loans	125,382	114,685
Bank loans	61,980	47,816
Bills discounted with recourse	39,592	–
Other borrowings	7,025	–
	233,979	162,501
Analysed as:		
Secured	109,217	162,501
Unsecured	124,762	–
	233,979	162,501
Carrying amount repayable:		
Within one year or on demand	194,291	153,511
More than one year but not exceeding two years	12,534	3,839
More than two years but not exceeding five years	22,853	1,704
More than five years	4,301	3,447
	233,979	162,501
Less: Amount due within one year shown under current liabilities	(194,291)	(153,511)
Amount due after one year	39,688	8,990

The exposure of the Group's fixed rate bank and other borrowings and the contractual maturity dates are as follows:

	2006	2005
	HK$'000	*HK$'000*
Fixed-rate borrowings:		
Within one year	521	–
In more than one year but not more than two years	451	–
	972	–

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

30. BANK AND OTHER BORROWINGS *(Continued)*

The range of the effective interest rate on the Group's bank and other borrowings are as follows:

	2006	2005
Effective interest rate:		
Fixed-rate bank and other borrowings	**5.5%**	N/A
Variable-rate bank borrowings	**HIBOR plus 0.5% to HIBOR plus 1.75%**	HIBOR plus 0.5% to HIBOR plus 1.75%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Euro *'000*	New Taiwan dollars *'000*	United States dollars *'000*
As at June 30, 2006	6,842	223	14,626
As at June 30, 2005	–	231	16,105

During the year, the Group obtained new loans in the amount of HK$220,205,000. The loans bear interest at market rates. The proceeds were used for expansion of the Group's operations.

The above bank borrowings are secured by the following assets of the Group:

(a) bank deposits of HK$21,859,000 (2005: HK$53,582,000);

(b) buildings with a carrying value of HK$74,202,000 (2005: HK$7,647,000);

(c) prepaid lease payments of HK$19,045,000 (2005: HK$10,703,000);

(d) freehold land of HK$2,446,000 (2005: HK$2,488,000), and

(e) investment properties of HK$19,054,000 (2005: Nil).

The fair values of the Group's bank and other borrowings, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate their carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

31. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is three years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5% to 7.25% (2005: 3.5% to 4.5%). No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**2,369**	3,370	**2,248**	3,172
In the second to fifth year inclusive	**798**	2,469	**775**	2,394
	3,167	5,839		
Less: Future finance charges	**(144)**	(273)		
Present value of lease obligations	**3,023**	5,566	**3,023**	5,566
Less: Amount due within one year shown under current liabilities			**(2,248)**	(3,172)
Amount due after one year			**775**	2,394

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The fair values of the Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximate their carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

32. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At July 1, 2004	1,000,000	100
Increase in authorised share capital	999,000,000	99,900
At June 30, 2005 and 2006	1,000,000,000	100,000
Issued and fully paid:		
At July 1, 2004	1,000,000	100
Arising from Group Reorganisation	1,000,000	100
Capitalisation of advances from shareholders	1,000,000	100
Issue of shares by capitalisation of share premium account	422,000,000	42,200
Issue of shares for placing and public offer	75,000,000	7,500
Issue of shares by over-allotment option	8,682,000	868
At June 30, 2005 and 2006	508,682,000	50,868

Pursuant to the written resolutions passed by all the shareholders of the Company on March 17, 2005 to effect the Group Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, the following movements in the share capital of the Company took place during the year ended June 30, 2005:

(a) The authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by the creation of an additional 999,000,000 ordinary shares.

(b) 1,000,000 ordinary shares of HK$0.10 each at par were allotted and issued by the Company as consideration for the acquisition of entire issued share capital of Top Peaker Group Limited ("Top Peaker") and 1,000,000 ordinary shares of HK$0.10 each at par were allotted and issued by the Company to settle the loans in the total amount of HK$80,000,000 owing to the shareholders of Top Peaker by the Group.

(c) 422,000,000 ordinary shares of HK$0.10 each which were allotted and issued by way of capitalisation of share premium of HK$42,200,000.

On May 12, 2005, by means of placing and public offer, the Company issued a total of 75,000,000 new shares of HK$0.10 each at the price of HK$1.08 per share.

On May 27, 2005, pursuant to the written resolutions dated March 17, 2005, by means of partially exercise of the over-allotment option, the Company allotted and issued a total of 8,682,000 new shares of HK$0.10 each at the price of HK$1.08 per share.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

33. OTHER LONG-TERM PAYABLE

The balance represents the deferred consideration for the acquisition of subsidiaries during the year. Details of the acquisition of subsidiaries are disclosed in note 34.

The amount is unsecured, interest-bearing at 6% per annum and will be fully repayable on May 31, 2008. The fair value of the Group's other long-term payable at June 30, 2006 approximates its carrying amount.

34. ACQUISITION OF SUBSIDIARIES

On November 30, 2005, the Group acquired additional 1% equity interest in a subsidiary, Weblink Technology Limited (previously an associate of the Group with 50% equity interest), which is principally engaged in investment holding, and trading and manufacturing of optical fibre products, for a consideration of HK$8.

On January 16, 2006, the Group acquired 100% equity interest in BCN Distribuciones, S.A. and its subsidiaries, which are principally engaged in the business of research and development and distribution of digital television reception products in Europe, for a total consideration of Euro 10 million (equivalent to approximately HK$94,525,000).

These two transactions have been accounted for using the purchase method.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	2006		
	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	22,908	–	22,908
Prepaid lease payments	2,339	–	2,339
Intangible assets	4,654	(3,443)	1,211
Interest in an associate	2,551	–	2,551
Available-for-sale investments	1,478	–	1,478
Inventories	51,041	(1,492)	49,549
Trade and other receivables	110,620	(4,113)	106,507
Bank balances and cash	37,024	–	37,024
Trade and other payables	(90,319)	–	(90,319)
Tax liabilities	(5,661)	–	(5,661)
Bank and other borrowings	(82,220)	–	(82,220)
Obligations under finance leases	(905)	–	(905)
Amounts due to minority shareholders	(19,500)	–	(19,500)
Deferred tax liabilities	(728)	–	(728)
	33,282	(9,048)	24,234
Less: Carrying amount previously recognised as interest in an associate			(6,111)
Goodwill			64,180
Total consideration			94,525
Total consideration satisfied by:			
Cash			38,240
Deferred consideration included in other long-term payable *(note 33)*			56,285
			94,525
Net cash outflow arising on acquisition:			
Cash consideration paid			(38,240)
Cash and cash equivalents acquired			37,024
			(1,216)

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

The goodwill arising on the acquisitions is attributable to the anticipated profitability of the acquired business and the anticipated future operating synergies from the combination.

The subsidiaries acquired contributed HK$124,378,000 to the Group's revenue and contributed HK$3,494,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on July 1, 2005, total group revenue for the year would have been HK$1,214,720,000, and the profit for the year would have been HK$37,013,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on July 1, 2005, nor is it intended to be a projection of future results.

35. DISSOLUTION OF A SUBSIDIARY

In June 2005, the Group resolved to dissolve one of its wholly owned subsidiaries.

	2005
	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	134
Trade and other receivables	4,502
Bank balances and cash	233
Trade and other payables	(5,997)
Tax payable	(426)
Net liabilities	(1,554)
Exchange reserve realised on dissolution of a subsidiary	144
Gain on dissolution of subsidiary	1,410
	–
Cash outflow arising on dissolution and bank balances and cash disposed of	233

The subsidiary dissolved during the year ended June 30, 2005 did not contribute significantly to the revenue, operating results or cash flows of the Group.

36. MAJOR NON-CASH TRANSACTION

During the year, the amounts due to minority shareholders of HK$19,110,000 acquired from acquisition of Weblink Technology Limited was being capialised as capital reserve of Weblink Technology Limited.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

37. OPERATING LEASES

THE GROUP AS LESSEE

Minimum lease payments paid under operating leases during the year:

	2006	2005
	HK$'000	*HK$'000*
Plant and machinery	**25**	–
Premises	**5,674**	2,319
	5,699	2,319

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**6,319**	2,712
In the second to fifth year inclusive	**15,157**	1,096
	21,476	3,808

Operating lease payments represent rentals payable by the Group for certain of its offices and factories. Leases are negotiated for an average term of three years with fixed rentals.

THE GROUP AS LESSOR

Property rental income earned during the year was HK$754,000 with no outgoings (2005: HK$216,000 with no outgoings). All of the investment properties held have committed tenants for the next three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**2,633**	183
In the second to fifth year inclusive	**4,107**	183
	6,740	366

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

38. CONTINGENT LIABILITIES

	2006	2005
	HK$'000	*HK$'000*
Export bills discounted with recourse	–	2,529

39. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**322**	1,210

40. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 17, 2005 (the "Option Scheme"), the Company may grant options to the directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of the Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered.

The exercise price of the share option will be determined at the highest of:

(i) the closing price of the Company's shares on the Stock Exchange on the date of grant;

(ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

40. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the share options of the Company entitled by the Company's directors or employees during the year:

			Number of share options			
Type of grantee	Exercise price *(note 1)*	Exercise period *(note 2)*	Outstanding at July 1, 2005	Granted during the year	Forfeited during the year	Outstanding at June 30, 2006
Directors	HK$1.02	August 1, 2005 to July 31, 2015	–	2,500,000	–	2,500,000
Employees	HK$1.02	August 1, 2005 to July 31, 2015	–	4,020,000	(620,000)	3,400,000
			–	6,520,000	(620,000)	5,900,000

Notes:

1. The closing price of the ultimate holding company's shares immediately before July 30, 2005, the date of grant of the options, was HK$1.02.

2. The maximum percentage of the share options which may be exercised is determined in stages as follows:

On or after the second year anniversary of the date of grant	50%
On or after the third year anniversary of the date of grant	remaining 50%

During the year ended June 30, 2006, options were granted on July 30, 2005. The estimated fair values of the options granted on that date are HK$698,000.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2006
Weighted average share price	**HK$1.02**
Exercise price	**HK$1.02**
Expected volatility	**23.81%**
Expected life	**5 years**
Risk-free rate	**3.604%**
Expected dividend yield	**7%**

Expected volatility was determined by using the historical volatility of the Company's share price since the shares are listed on the Stock Exchange. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$267,000 for the year ended June 30, 2006 in relation to share options granted by the Company.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

41. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees employed by the operations in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the required contributions under the schemes.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit scheme as stipulated by relevant local authorities. The employees are entitled to the Company's contributions subject to the regulations of the relevant local authorities.

42. RELATED PARTY DISCLOSURES

(i) During the year, the Group entered into the following transactions with related parties:

Relationship	**Nature of transaction**	**2006**	2005
		HK$'000	*HK$'000*
Associates	Sales of finished goods	**366**	809
	Purchase of finished goods	**2,905**	6,915
	Management fee income received	**525**	1,260

(ii) At June 30, 2005, certain banking facilities of the Group were still secured by personal guarantees given by certain directors of the Company even though the Group has obtained written consent from the principal banks to release the directors' personal guarantees on the date of the listing of the Company's shares, which would be replaced by corporate guarantees and/or collaterals provided by the Company and/or other members of the Group. At June 30, 2006, all directors' personal guarantees were released.

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	HK$'000	*HK$'000*
Short-term benefits	**10,467**	6,354
Post-employment benefits	**76**	30
	10,543	6,384

In the opinion of the directors, the remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

43. BALANCE SHEET OF THE COMPANY

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Investments in subsidiaries	a	**181,888**	181,888
Amounts due from subsidiaries	b	**–**	198,619
		181,888	380,507
Current assets			
Amounts due from subsidiaries	b	**170,635**	–
Other receivables		**133**	126
Bank balances		**19**	185
		170,787	311
Current liabilities			
Other payables		**740**	69
Amounts due to subsidiaries	b	**8,635**	–
		9,375	69
Net current assets		**161,412**	242
Net assets		**343,300**	380,749
Capital and reserves			
Share capital		**50,868**	50,868
Reserves	c	**292,432**	329,881
Equity attributable to equity holders of the Company		**343,300**	380,749

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

43. BALANCE SHEET OF THE COMPANY *(Continued)*

Notes:

(a) Interests in subsidiaries

	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**181,888**	181,888

Particulars of the principal subsidiaries of the Company at June 30, 2006 are disclosed in note 44.

(b) Amounts due from/to subsidiaries

In the opinion of the directors, the amounts due from/to subsidiaries are unsecured and interest-free and have no fixed terms of repayment.

(c) Reserves

	Share premium	Contributed surplus	Share option reserve	Special reserve	Accumulated (losses) profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At July 1, 2004	–	–	–	–	(4)	(4)
Arising from Group Reorganisation	–	181,788	–	–	–	181,788
Capitalisation of advances from shareholders	–	–	–	79,900	–	79,900
Capitalisation on issue of shares	(42,200)	–	–	–	–	(42,200)
Issue of shares	82,008	–	–	–	–	82,008
Share issue expenses	(11,480)	–	–	–	–	(11,480)
Profit for the year	–	–	–	–	39,869	39,869
At June 30, 2005	28,328	181,788	–	79,900	39,865	329,881
Recognition at equity settled share-based payments	–	–	267	–	–	267
Loss for the year	–	–	–	–	(2,617)	(2,617)
Dividend paid	–	–	–	–	(35,099)	(35,099)
At June 30, 2006	**28,328**	**181,788**	**267**	**79,900**	**2,149**	**292,432**

The contributed surplus represents the difference between the consolidated shareholders' fund of Top Peaker and the nominal value of the Company's shares issued to acquire Top Peaker at the time of the Group Reorganisation.

The special reserve represents the surplus arising pursuant to the capitalisation of advances from shareholders as part of the Group Reorganisation.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2006

44. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at June 30, 2006 are as follows:

Name of company	Country/ place of incorporation/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company *Directly*	*Indirectly*	Principal activities
Top Peaker	British Virgin Islands ("BVI")/ Hong Kong	Ordinary	US$10,000	100%	–	Investment holding
Sandmartin (Zhong Shan) Electronic Co., Ltd. (note) 中山聖馬丁電子元件有限公司	PRC	Registered capital	US$13,500,000	–	100%	Manufacture of audio-visual, cable and digital television, and telecommunications accessories
SMT Hong Kong Limited 宏揚科技有限公司	Hong Kong	Ordinary	HK$2	–	100%	Provision of management services
SMT Electronic Technology Limited	Cayman Islands/ Taiwan	Ordinary	US$1	–	100%	Trading of audio-visual, cable and digital television, and telecommunications accessories
SMT (Macao Commercial Offshore) Limited 虹楊(澳門離岸商業服務)有限公司	Macau	Quota capital	MOP100,000	–	100%	Trading of audio-visual, cable and digital television, and telecommunications accessories
TRT Business Network Solution, Inc.	United States of America	Ordinary	US$100,000	–	100%	Trading of audio-visual, cable and digital television, and telecommunications accessories
Weblink Technology Limited	BVI/Hong Kong	Ordinary	US$100	–	51%	Investment holdings
FLT Hong Kong Technology Limited	BVI/Hong Kong	Ordinary	US$450,000	–	51%	Trading of optical fibre products
Fiberlink Technology Limited (note) 珠海保税區隆宇光電科技有限公司	PRC	Registered capital	US$1,500,000	–	51%	Manufacturing of optical fibre products
BCN Distribuciones, S.A.	Spain	Ordinary	Euro412,102	–	100%	Research and development and distribution of digital television reception products
FTE Maximal, S.r.l.	Italy	Ordinary	Euro102,775	–	100%	Trading of electronic goods

Note: The company is a wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at any time of the year or at June 30, 2006.