NOTES TO FINANCIAL STATEMENTS

30 September 2006

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability under the Bermuda Companies Act 1981 as an exempted company, on 18 August 1998. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Company's principal activity was investment holding. The principal activities of the subsidiaries comprised the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and personal data assistants). They were also engaged in the trading of integrated circuits and computer components and accessories. There were no significant changes in the nature of the Company's and Group's principal activities during the year.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 September 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the above HKASs has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements except for the following:

(a) HKAS 1 – Presentation of Financial Statements

In prior periods, the Group's share of tax attributable to a jointly-controlled entity was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of the jointly-controlled entity is presented net of the Group's share of tax attributable to the jointly-controlled entity.

(b) HKAS 24 – Related Party Disclosures

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

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

(c) HKAS 17 – Leases

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

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

Upon the adoption of HKAS 17, prior year revaluation reserve attributable to leasehold land and buildings, the opening balance of retained profits and the results for the comparative period have been restated to reflect this change retrospectively. The effects of the above change are summarised in note 2.4 to the financial statements.

(d) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in debt securities as short term investments, and were stated at amortised cost less any impairment losses, on an individual basis. Upon the adoption of HKAS 39, these investments held by the Group at 1 October 2005 in the amount of HK$4,980,000 are designated as derivative financial instruments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

This change in accounting policy has had no effect on the consolidated income statement and retained profits.

(e) HKAS 40 – Investment Property

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

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. This change in accounting policy has had no effect on the consolidated income statement and retained profits.

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

(f) HKFRS 2 – Share-based Payment

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

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

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

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

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 30 September 2005 but had not yet vested as at 1 October 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 30 September 2004 and 30 September 2005.

(g) HKAS-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior years, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HKAS-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax. This change in accounting policy has had no effect on the consolidated income statement and retained profits.

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

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

HKAS 1 Amendment	Capital Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

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

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, respectively.

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

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 October 2005	Effect of adopting HKAS 17#	HKAS 32 and 39*	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments	Change in classification of investments	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Property, plant and equipment	(40,006)	–	(40,006)
Prepaid land lease payments	29,648	–	29,648
Short term investments	–	(4,980)	(4,980)
Derivative financial instruments	–	4,980	4,980
Prepayments, deposits and other receivables	825	–	825
			(9,533)
Liabilities/equity			
Deferred tax liabilities	2	–	2
Revaluation reserve	(4,101)	–	(4,101)
Retained profits	(5,434)	–	(5,434)
			(9,533)

* Adjustments taken effect prospectively from 1 October 2005

Adjustments/presentation taken effect retrospectively

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

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

At 30 September 2006	Effect of adopting HKAS 17	HKAS 32 and 39	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments HK$'000	Change in classification of investments HK$'000	Total HK$'000
Assets			
Property, plant and equipment	(47,136)	–	(47,136)
Prepaid land lease payments	35,953	–	35,953
Short term investments	–	(10,970)	(10,970)
Equity investments at fair value through profit or loss	–	179	179
Derivative financial instruments	–	10,791	10,791
Prepayments, deposits and other receivables	825	–	825
			(10,358)
Liabilities/equity			
Deferred tax liabilities	2	–	2
Revaluation reserve	(4,101)	–	(4,101)
Retained profits	(6,259)	–	(6,259)
			(10,358)

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

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

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 17 Prepaid land lease payments *HK$'000*
1 October 2004	
Revaluation reserve	(4,101)
Retained profits	(4,878)
	(8,979)
1 October 2005	
Revaluation reserve	(4,101)
Retained profits	(5,434)
	(9,535)

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

(c) Effect on the consolidated income statement for the years ended 30 September 2006 and 2005

	Effect of adopting		
	HKAS 1	HKAS 17	
Effect of new policies	Share of post-tax profits and losses of a jointly-controlled entity	Prepaid land lease payments	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 30 September 2006			
Increase in cost of sales	–	(554)	(554)
Increase in administrative expenses	–	(271)	(271)
Decrease in share of profit of a jointly-controlled entity	(138)	–	(138)
Decrease in tax	138	–	138
Total decrease in profit	–	(825)	(825)
Decrease in basic earnings per share	–	(0.1) cents	(0.1) cents
Year ended 30 September 2005			
Increase in cost of sales	–	(186)	(186)
Increase in administrative expenses	–	(74)	(74)
Decrease in share of profit of a jointly-controlled entity	(373)	–	(373)
Decrease/(increase) in tax	373	(296)	77
Total decrease in profit	–	(556)	(556)
Decrease in basic earnings per share	–	–	–

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint venture companies

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

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

A joint venture company is treated as:

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entity

A jointly-controlled entity is a joint venture company that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in the jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The result of a jointly-controlled entity is included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in the jointly-controlled entity is treated as non-current asset and is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	2% to 5%
Leasehold improvements	10%
Plant, machinery and office equipment	10%
Moulds	10%
Motor vehicles	10%
Furniture and fixtures	10%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Investment properties

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

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

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Applicable to the year ended 30 September 2005:

The Group classified its investments in debt securities, other than subsidiaries and a jointly-controlled entity, as short term investments.

Short term investments

Short term investments are investments in debt securities redeemable at fixed dates and are stated at amortised cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Applicable to the year ended 30 September 2006:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets (applicable to the year ended 30 September 2006)

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (applicable to the year ended 30 September 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing bank borrowings)

Financial liabilities including accounts payable, accrued liabilities and other payables and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Derecognition of financial liabilities (applicable to the year ended 30 September 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

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

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 October 2005 and to those granted on or after 1 October 2005.

Employment Ordinance long service payments

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

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes

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

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

Dividends

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property lease on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of this property which is leased out on an operating lease.

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Classification between investment properties and owner-occupied property

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

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

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

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

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.

(i) *Impairment test of assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) *Estimate of fair value of investment properties*

The best evidence of fair value is the current prices in an active market for similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair-value estimates. In making its judgement, management considers information from (i) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions; and (iii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and by using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

(iii) *Realisability of deferred tax assets*

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carryforward tax losses, the asset balance will be reduced and charged to the income statement.

4. SEGMENT INFORMATION

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

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

(a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic and related components and parts;

(b) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products; and

(c) the trading segment consists of the trading of integrated circuits and computer components and accessories.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 September 2006 and 2005.

Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue:								
Sales to external customers	**332,896**	224,488	**659,904**	680,779	**34,807**	50,867	**1,027,607**	956,134
Other income and gain	**597**	93	**2,981**	1,166	**19**	2	**3,597**	1,261
Total	**333,493**	224,581	**662,885**	681,945	**34,826**	50,869	**1,031,204**	957,395
Segment results	**1,726**	3,441	**18,640**	34,879	**(1,257)**	(5,060)	**19,109**	33,260
Interest and unallocated other income and gain							**1,644**	687
Unallocated expenses							**(1,316)**	(1,012)
Finance costs							**(1,276)**	(36)
Share of profit of a jointly-controlled entity							**892**	1,092
Profit before tax							**19,053**	33,991
Tax							**(4,576)**	(6,882)
Profit for the year attributable to equity holders of the parent							**14,477**	27,109

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment assets	**363,764**	348,430	**477,911**	495,700	**10,955**	17,811	**852,630**	861,941
Interest in a jointly-controlled entity							**16,720**	15,901
Unallocated assets							**293,364**	235,967
Total assets							**1,162,714**	1,113,809
Segment liabilities	**31,438**	24,962	**118,349**	135,966	**14,022**	18,203	**163,809**	179,131
Unallocated liabilities							**74,458**	33,297
Total liabilities							**238,267**	212,428
Other segment information:								
Capital expenditure	**6,021**	17,193	**33,042**	32,575	**–**	–	**39,063**	49,768
Unallocated capital expenditure							**28,688**	6,818
							67,751	56,586
Depreciation	**35,201**	32,785	**22,652**	23,008	**–**	–	**57,853**	55,793
Unallocated depreciation							**1,342**	1,443
							59,195	57,236
Provision for/(write-back of) inventories	**505**	2,660	**673**	4,624	**(1,443)**	2,287	**(265)**	9,571
Write-back/(impairment of) accounts receivable	**(1,033)**	1,344	**(1,777)**	4,833	**(88)**	193	**(2,898)**	6,370

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Other segment information *(continued)*:								
Changes in fair value of an investment property	**–**	–	**–**	–	**–**	–	**(190)**	310
Recognition of prepaid land lease payments	**–**	–	**–**	–	**–**	–	**825**	683

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 30 September 2006 and 2005.

Group

	Hong Kong		Mainland China		Other Asian countries+		American countries++		European countries+++		African countries++++		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment revenue:														
Sales to external customers	**299,087**	242,220	**152,948**	134,478	**116,826**	132,050	**210,847**	200,295	**158,949**	150,524	**88,950**	96,567	**1,027,607**	956,134
Other segment information:														
Total assets	**174,130**	184,739	**965,469**	893,276	**21,223**	30,842	**752**	3,020	**530**	976	**610**	956	**1,162,714**	1,113,809
Capital expenditure	**116**	98	**67,635**	56,488	**–**	–	**–**	–	**–**	–	**–**	–	**67,751**	56,586

\+ Other Asian countries principally included Indonesia, Japan, Mettmann and Taiwan, etc.
++ American countries principally included Chile, Peru, Argentina, Mexico and Brazil, etc.
+++ European countries principally included Poland, Spain, France, Germany and England, etc.
++++ African countries principally included India, Nigeria, Kenya, Pakistan and Egypt, etc.

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's other income and gain is as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Other income		
Bank interest income	**1,640**	602
Gross rental income	**169**	152
Dividend income from derivative financial instruments	**252**	–
Others	**3,180**	884
	5,241	1,638
Gain		
Fair value gain on an investment property	**–**	310
	5,241	1,948

6. FINANCE COSTS

	Group 2006 HK$'000	Group 2005 HK$'000
Interest on bank loans wholly repayable within five years	1,276	36

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2006 HK$'000	2005 HK$'000 (Restated)
Cost of inventories sold	946,059	855,984
Depreciation	59,195	57,236
Recognition of prepaid land lease payments	825	683
Research and development costs	290	70
Minimum lease payments under operating leases in respect of land and buildings	1,124	814
Auditors' remuneration	1,080	940
Employee benefits expense (excluding directors' remuneration – *note 8(a)*):		
Wages, salaries and allowances	183,804	170,129
Pension schemes contributions (defined contribution schemes)+	5,241	3,691
	189,045	173,820
Gross rental income	169	152
Less: outgoings	(11)	(11)
Net rental income	158	141
Provision for/(write-back of) inventories	(265)	9,571
Bad debts written off	1,403	–
Foreign exchange differences, net	7,147	5,089
Loss on disposal of derivative financial instruments	364	–
Loss on disposal of items of property, plant and equipment	–	150
Changes in fair value of an investment property	190	(310)

7. PROFIT BEFORE TAX *(Continued)*

The cost of inventories sold includes write-back of inventories of HK$265,000 (2005: provision for inventories of HK$9,571,000) and aggregate employee benefits expense, depreciation and recognition of prepaid land lease payments of approximately HK$222,107,000 (2005 (Restated): HK$206,615,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

+ As at 30 September 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' remuneration

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**825**	720
Other emoluments:		
Salaries and allowances	**5,342**	5,954
Pension scheme contributions	**36**	36
	5,378	5,990
	6,203	6,710

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

The remuneration of executive and non-executive directors is set out below:

	2006				2005
Name	Fees	Salaries and allowances	Pension scheme contributions	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Ms. Wong King Ching, Helen	–	2,012	12	2,024	2,790
Mr. Leung Chi Fai	–	875	12	887	881
Ms. Wong King Man	–	2,455	12	2,467	2,319
	–	5,342	36	5,378	5,990
Non-executive directors:					
Mr. So Day Wing*	155	–	–	155	120
Mr. Wong Kim Seong	–	–	–	–	–
Mr. Wong Kun Kim*	155	–	–	155	120
Mr. Kuo Yen Ting* *(note 1)*	50	–	–	50	120
Ms. Wong Chun Ying	240	–	–	240	240
Ms. Wong Choi Kam	120	–	–	120	120
Ms. Kan Lai Kuen, Alice* *(note 2)*	105	–	–	105	–
	825	–	–	825	720
	825	5,342	36	6,203	6,710

Notes:

1 Mr. Kuo Yen Ting resigned on 1 March 2006.

2 Ms. Kan Lai Kuen, Alice was appointed on 1 March 2006.

* Independent non-executive directors

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(b) Five highest paid employees' remuneration

The five highest paid employees during the year included three (2005: three) directors, details of whose remuneration are set out in (a) above. Details of the remuneration of the remaining two (2005: two) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	**1,336**	1,249
Pension scheme contributions	**24**	24
	1,360	1,273

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

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**2**	2

9. TAX

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Current – Hong Kong		
Overprovision in prior years	**–**	(60)
Current – Mainland China		
Charge for the year	**5,418**	7,275
Deferred tax (*note 27*)	**(842)**	(333)
	4,576	6,882

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

On 14 April 2003, 4 April 2004, 28 March 2005 and 10 July 2006, tax concessions have been granted by the local municipal tax bureau, under which the effective income tax rate applicable to Xinwei Electronic Industrial Co., Ltd., Fujian ("Fujian Xinwei"), a wholly-owned subsidiary of the Company, has remained at 10% for the periods from 1 January 2003 to 31 December 2006. As a result, for the years ended 30 September 2005 and 2006, a provision for income tax has been made at a tax rate of 10% for the entire assessable profit attributable to Fujian Xinwei.

9. **TAX** *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the region in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group – 2006

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(9,980)	29,033	19,053
Tax at the statutory tax rate	(1,747)	9,581	7,834
Lower tax rate for specific province or local authority	–	(5,032)	(5,032)
Profits and losses attributable to a jointly-controlled entity	–	(138)	(138)
Income not subject to tax	(262)	–	(262)
Expenses not deductible for tax	978	165	1,143
Tax losses utilised from previous periods	(148)	–	(148)
Tax losses not recognised	1,179	–	1,179
Tax charge at the Group's effective rate	–	4,576	4,576

Group – 2005

	Hong Kong HK$'000 (Restated)	Mainland China HK$'000 (Restated)	Total HK$'000 (Restated)
Profit/(loss) before tax	(10,847)	44,838	33,991
Tax at the statutory tax rate	(1,898)	14,797	12,899
Lower tax rate for specific province or local authority	–	(9,239)	(9,239)
Adjustments in respect of current tax of previous periods	(60)	–	(60)
Profits and losses attributable to a jointly-controlled entity	–	(373)	(373)
Income not subject to tax	(252)	–	(252)
Expenses not deductible for tax	463	1,757	2,220
Tax losses utilised from previous periods	(173)	–	(173)
Tax losses not recognised	1,860	–	1,860
Tax charge/(credit) at the Group's effective rate	(60)	6,942	6,882

The share of tax attributable to the jointly-controlled entity amounting to HK$138,000 (2005: HK$373,000) is included in "Share of profit of a jointly-controlled entity" on the face of the consolidated income statement.

10. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 30 September 2006 includes a loss of HK$4,375,000 (2005: HK$6,021,000) which has been dealt with in the financial statements of the Company (note 30).

11. DIVIDENDS

	2006 ***HK$'000***	2005 *HK$'000*
Proposed final – 1 cent (2005: 1 cent) per ordinary share	**10,160**	10,160

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

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$14,477,000 (2005 (Restated): HK$27,109,000) and 1,016,001,301 (2005: 1,016,001,301) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 30 September 2006 and 2005 have not been disclosed, as the share options outstanding during these years do not have dilutive effect on the basic earnings per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	177,941	57,968	420,589	19,351	16,046	1,228	2,715	695,838
Additions	–	129	17,565	–	–	10	12,547	30,251
Disposals and write-off	(661)	–	(184,322)	(19,905)	(19)	–	–	(204,907)
Exchange realignment	5,704	1,594	11,990	554	382	–	77	20,301
At 30 September 2006	**182,984**	**59,691**	**265,822**	**–**	**16,409**	**1,238**	**15,339**	**541,483**
Accumulated depreciation:								
At beginning of year	26,556	21,919	223,276	19,160	13,260	954	–	305,125
Provided during the year	8,826	5,908	42,663	198	1,561	39	–	59,195
Disposals and write-off	–	–	(184,322)	(19,905)	–	–	–	(204,227)
Exchange realignment	602	566	6,367	547	347	2	–	8,431
At 30 September 2006	**35,984**	**28,393**	**87,984**	**–**	**15,168**	**995**	**–**	**168,524**
Net book value:								
At 30 September 2006	**147,000**	**31,298**	**177,838**	**–**	**1,241**	**243**	**15,339**	**372,959**
At 30 September 2005	151,385	36,049	197,313	191	2,786	274	2,715	390,713
An analysis of cost or valuation:								
At cost	9,879	59,691	110,327	–	2,569	1,238	15,339	199,043
At valuation:								
Open market value	4,250	–	–	–	–	–	–	4,250
Depreciated replacement cost	168,855	–	155,495	–	13,840	–	–	338,190
	182,984	59,691	265,822	–	16,409	1,238	15,339	541,483

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

Group

	Buildings HK$'000 (Restated)	Leasehold improve–ments HK$'000	Plant, machinery and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000 (Restated)
Cost or valuation:								
At beginning of year	174,819	54,590	369,085	18,977	15,757	1,218	–	634,446
Additions	–	2,408	45,259	23	46	9	2,715	50,460
Disposals	–	–	(575)	–	–	–	–	(575)
Exchange realignment	3,122	970	6,820	351	243	1	–	11,507
At 30 September 2005	177,941	57,968	420,589	19,351	16,046	1,228	2,715	695,838
Accumulated depreciation:								
At beginning of year	17,484	16,022	181,088	16,913	11,461	907	–	243,875
Provided during the year	8,825	5,639	39,188	1,934	1,603	47	–	57,236
Disposals	–	–	(346)	–	–	–	–	(346)
Exchange realignment	247	258	3,346	313	196	–	–	4,360
At 30 September 2005	26,556	21,919	223,276	19,160	13,260	954	–	305,125
Net book value:								
At 30 September 2005	151,385	36,049	197,313	191	2,786	274	2,715	390,713
At 30 September 2004	157,335	38,568	187,997	2,064	4,296	311	–	390,571
An analysis of cost or valuation:								
At cost	9,879	57,968	92,762	19,351	2,588	1,228	2,715	186,491
At valuation:								
Open market value	4,250	–	–	–	–	–	–	4,250
Depreciated replacement cost	163,812	–	327,827	–	13,458	–	–	505,097
	177,941	57,968	420,589	19,351	16,046	1,228	2,715	695,838

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

In the opinion of the directors, there had been a material difference between the fair value and the carrying value of the Group's buildings, prepaid land lease payments, plant, machinery and office equipment, and motor vehicles as at 30 September 2002 and therefore professional valuation had been made on 30 September 2002. The Group's buildings and prepaid land lease payments located in Hong Kong were revalued on 30 September 2002 by Chesterton Petty Limited, at HK$7,800,000, on an open market, existing use basis. The Group's buildings and prepaid land lease payments located in Mainland China and the Group's plant, machinery and office equipment, and motor vehicles as at 30 September 2006, other than the additions and transfer-in in the years ended 30 September 2003, 2004, 2005 and 2006, were revalued on 30 September 2002 by Chesterton Petty Limited on a depreciated replacement cost basis, at HK$194,166,000, HK$327,827,000 and HK$13,458,000, respectively.

In the opinion of the directors, there was no material movement in fair value of those revalued property, plant and equipment. Accordingly no professional valuation of such buildings, plant, machinery and office equipment, and motor vehicles was made as at 30 September 2006 because the directors are of the opinion that the fair value of such revalued property, plant and equipment at 30 September 2006 is not significantly different from the carrying amount at 30 September 2002 and that a further professional valuation would involve expense out of proportion to the value to the shareholders of the Group.

As at 30 September 2006, the carrying values of the buildings, plant, machinery and office equipment, and motor vehicles arising from the additions and transfer-in in the years ended 30 September 2003, 2004, 2005 and 2006, amounted to HK$9,879,000, HK$110,327,000 and HK$2,569,000, respectively. In the opinion of the directors, the fair value of such property, plant and equipment at 30 September 2006 is not significantly different from the carrying amount at 30 September 2006. Accordingly, no professional valuation of the additions and transfer-in in the years ended 30 September 2003, 2004, 2005 and 2006 in respect of buildings, plant, machinery and office equipment, and motor vehicles was made as at 30 September 2006.

Had the Group's buildings, plant, machinery and office equipment, and motor vehicles been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$109,860,000 (2005 (Restated): HK$118,298,000), HK$172,981,000 (2005: HK$190,691,000) and HK$2,120,000 (2005: HK$2,599,000), respectively.

Certain buildings of the Group with a total carrying value of HK$3,355,000 (2005 (Restated): HK$3,499,000) were pledged to secure banking facilities granted to the Group (note 26) as at 30 September 2006.

14. INVESTMENT PROPERTIES

	2006 HK$'000	2005 HK$'000
Carrying amount at 1 October	2,460	2,150
Additions	28,571	–
Net profit/(loss) from a fair value adjustment	(190)	310
Carrying amount at 30 September	30,841	2,460

The investment properties of HK$28,571,000 and HK$2,270,000 are situated in Mainland China and Hong Kong, respectively, and they are held under medium lease terms.

The Group's investment property located in Hong Kong was revalued on 30 September 2006 by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$2,270,000, on an open market, existing use basis. A revaluation deficit of HK$190,000 has been charged to the income statement resulting from the revaluation. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 31(a) to the financial statements.

In the opinion of the directors, the fair value of the investment property amounted to approximately HK$28,571,000 as at 30 September 2006. In the opinion of the directors, no valuation by independent valuer is required to determine the fair value as at 30 September 2006 as the investment property was purchased in an open auction in November 2005 and the directors are in the opinion that there was no material movement in fair value of this investment property. Accordingly no professional valuation was made on this investment property as at 30 September 2006.

The investment property of the Group with a total carrying value of HK$2,270,000 (2005: HK$2,460,000) were pledged to secure banking facilities granted to the Group (note 26) as at 30 September 2006.

At the balance sheet date, certificate of ownership in respect of the investment property in Mainland China with the fair value of HK$28,571,000 (2005: Nil), had not been issued by the relevant authorities in Mainland China. In the opinion of the directors, the certificate will be obtained by about February 2007.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at 1 October		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(note 2.4(a))*	**30,473**	24,504
As restated	**30,473**	24,504
Additions	**6,659**	6,126
Disposals	**(632)**	–
Recognised during the year	**(825)**	(683)
Exchange realignment	**1,103**	526
Carrying amount at 30 September	**36,778**	30,473
Current portion included in prepayments, deposits and other receivables	**(825)**	(825)
Non-current portion	**35,953**	29,648

The Group's prepaid land lease payments included above are held under the following lease terms:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong, held under medium term leases	**3,192**	3,313
Mainland China, held under medium term land use rights	**33,586**	27,160
	36,778	30,473

Certain prepaid land lease payments of the Group with a total carrying value of HK$3,152,000 (2005 (Restated): HK$3,228,000) were pledged to secure banking facilities granted to the Group (note 26) as at 30 September 2006.

16. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**118,577**	118,577
Due from subsidiaries	**442,487**	471,477
Due to a subsidiary	**(2)**	(2)
	561,062	590,052

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sunway International (BVI) Holdings Limited	British Virgin Islands	US$50,000	100	–	Investment holding
Kenko International Company Limited	Hong Kong	HK$10,000	–	100	Trading of electronic products
Regal Honour Industrial Limited	Hong Kong	HK$10,000	–	100	Trading of computer and electronic products
Guidy International Limited	Hong Kong	Ordinary HK$3 * Non-voting deferred HK$6,500	–	100	Trading of electronic products

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sungo Holding Company Limited	Hong Kong	Ordinary HK$3 * Non-voting deferred HK$6,500,000	–	100	Trading of electronic products
Xinwei Electronic Industrial Co. Ltd., Fujian **	People's Republic of China ("PRC")/ Mainland China	HK$183,655,813	–	100	Manufacture and trading of electronic products
Sunway Information Technology Company Limited	British Virgin Islands	US$1	–	100	Investment holding
Putian Sunyee LCD Technology Co., Ltd. **	PRC/ Mainland China	HK$90,000,000	–	100	Manufacture of liquid crystal displays products
Sunway Macao Commercial Offshore Company Limited	Macau	MOP 100,000	–	100	Trading of electronic products

* The holders of the non-voting deferred shares are not entitled to any dividend, have no right to vote at general meetings, and only carry the right to receive the nominal amount paid-up or credited as paid-up on the non-voting deferred shares in a return of capital on liquidation after the holders of ordinary shares have received the sum of HK$1,000,000,000 per ordinary share.

** The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

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

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**11,116**	10,224
Due from a jointly-controlled entity	**5,604**	5,677
	16,720	15,901

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed term of repayment. The carrying amount approximates to its fair value.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operation	Percentage of ownership interest, voting power and profit sharing attributable to the Group	Principal activities
Taiwan Communication (Fujian) Company Limited	Corporate	PRC/ Mainland China	40	Manufacture and trading of telecommunication products

Interest in the jointly-controlled entity is indirectly held by the Company.

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2006 *HK$'000*	2005 *HK$'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**5,555**	8,532
Non-current assets	**12,770**	19,773
Current liabilities	**(7,209)**	(18,081)
Net assets	**11,116**	10,224

	2006 *HK$'000*	2005 *HK$'000*
Share of the jointly-controlled entity's results:		
Turnover	**31,491**	47,693
Other revenue	**41**	13
Total revenue	**31,532**	47,706
Total expenses	**(30,502)**	(46,241)
Tax	**(138)**	(373)
Profit after tax	**892**	1,092

18. DEPOSITS PAID FOR ACQUISITION OF PREPAID LAND LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

The balances represent aggregate deposits of HK$13,435,000 (2005: HK$6,954,000) paid in respect of the acquisition of land use rights of land located in the PRC and aggregate deposits of HK$61,000 (2005: HK$8,851,000) paid in respect of purchases of property, plant and equipment. The related capital commitments are set out in note 32.

19. INVENTORIES

An analysis of the inventories as at the balance sheet date, net of provision, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**137,926**	142,463
Work in progress	**41,294**	33,863
Finished goods	**87,741**	96,300
	266,961	272,626

20. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 3 months	**151,763**	147,532
4 to 6 months	**23,413**	28,261
7 to 12 months	**20,591**	12,866
Over 1 year	**35,541**	34,532
	231,308	223,191
Less: Impairment of accounts receivable	**(37,711)**	(41,308)
	193,597	181,883

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments, Hong Kong, at market value	**179**	–

The above equity investments at 30 September 2006 were classified as held for trading.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Derivative financial instruments	**10,791**	4,980	**10,791**	–

The Group and the Company have entered into two equity-linked notes (2005: one index-linked note) during the year which did not meet the criteria for hedge accounting. There were no significant changes in the fair values of the non-hedge derivative financial instruments during the years ended 30 September 2005 and 2006.

23. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group

Name	30 September 2006 ***HK$'000***	Maximum amount outstanding during the year ***HK$'000***	1 October 2005 *HK$'000*
Scientek Enterprise (Hong Kong) Limited	**7,713**	**8,056**	6,247

Scientek Enterprise (Hong Kong) Limited is controlled by the spouse of Ms. Wong Choi Kam, a director of the Company. The amount due from a related company is unsecured and interest-free. The credit period is for a period of three months. The carrying amount of the balance approximates to its fair value.

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
	Note	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Cash and bank balances		**116,796**	146,579	**3,192**	19
Time deposits		**69,870**	24,415	**–**	–
		186,666	170,994	**3,192**	19
Less: Pledged time deposits for trust receipt loans facilities	*26*	**(3,095)**	(15,555)	**–**	–
Cash and cash equivalents		**183,571**	155,439	**3,192**	19

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$65,566,000 (2005: HK$48,207,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Current to 3 months	**104,753**	122,147
4 to 6 months	**4,883**	1,498
7 to 12 months	**1,946**	450
Over 1 year	**2,523**	2,262
	114,105	126,357

The accounts payable is non-interest-bearing and is normally settled on 90-day terms.

26. INTEREST-BEARING BANK BORROWINGS

Group	2006 Effective interest rate (%)	2006 Maturity	2006 HK$'000	2005 Effective interest rate (%)	2005 Maturity	2005 HK$'000
Current						
Trust receipt loans – secured	8 – 9	2007	9,243	7 – 8	2006	13,288
Bank loans – unsecured	4.86 – 5.27	2007	34,286	–	–	–
			43,529			13,288

	Group 2006 HK$'000	Group 2005 HK$'000
Analysed into:		
Bank loans repayable within one year	43,529	13,288

Notes:

(a) As at 30 September 2006, the Group's bank borrowings are secured by:

(i) certain buildings of HK$3,355,000 (2005 (Restated): HK$3,499,000) (note 13);

(ii) an investment property of HK$2,270,000 (2005: HK$2,460,000) (note 14);

(iii) certain prepaid land lease payments of HK$3,152,000 (2005 (Restated): HK$3,228,000) (note 15); and

(iv) time deposits amounted to HK$3,095,000 (2005: HK$15,555,000) (note 24).

(b) Except for the unsecured bank loans of HK$34,286,000, all other borrowings bear interest at floating interest rates.

(c) Except for the unsecured bank loan which is denominated in RMB, all other borrowings are in Hong Kong dollars.

27. DEFERRED TAX

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

Deferred tax liabilities

Deferred tax liabilities of the Group arose from revaluation of buildings, plant, machinery and office equipment, and motor vehicles.

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
At beginning of year:		
As previously reported	**6,285**	6,668
Prior year adjustments *(note 2.4(a))*	**2**	(294)
As restated	**6,287**	6,374
Deferred tax credited to the income statement during the year *(note 9)*	**(842)**	(87)
Exchange realignment	**398**	–
At end of year	**5,843**	6,287

Deferred tax assets

Deferred tax assets of the Group arose from taxable and deductible temporary differences.

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**1,761**	1,515
Deferred tax credited to the income statement during the year *(note 9)*	**–**	246
Exchange realignment	**83**	–
At end of year	**1,844**	1,761

The Group has tax losses arising in Hong Kong of HK$40.5 million (2005: HK$34.6 million) as at 30 September 2006 that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

27. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

At 30 September 2006, there is no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or its jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

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

28. SHARE CAPITAL

	2006 *HK$'000*	2005 *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
1,016,001,301 ordinary shares of HK$0.10 each	**101,600**	101,600

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

On 25 February 2003, the Company terminated its then share option scheme adopted on 3 September 1999 (the "Old Option Scheme") and adopted a new share option scheme (the "New Option Scheme"). The options granted under the Old Option Scheme will remain in force and effect.

Pursuant to the Old Option Scheme, the exercise price of the share options was determinable by the directors, but could not be less than the higher of (i) 80% of the average of the closing prices of shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the five trading days immediately preceding the date of the offer of grant of the share options; or (ii) the nominal value of the shares of the Company.

In response to the amendments by the Hong Kong Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, the Company terminated the Old Option Scheme and then adopted the New Option Scheme on 25 February 2003 as follows:

The purpose of the New Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the New Option Scheme include the directors (including executive directors and non-executive directors), employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, joint venture partner or business alliance of the Group and shareholders of the Group. The New Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 25 February 2003.

29. SHARE OPTION SCHEME *(Continued)*

The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the New Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Option Scheme. As at 30 September 2006, the Company had outstanding 33,550,000 share options which were all granted under the Old Option Scheme and the total number of shares issuable for options was 33,550,000. It represented approximately 3.3% of the Company's shares in issue as at that date.

The total number of shares issued and to be issued upon exercise of the share options granted under the New Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted under the New Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

A share option may be accepted by a participant within 21 days from the date of the offer for grant of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the New Option Scheme, and commences from the date of acceptance of the offer of grant of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer for grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for grant, which must be a business day; and (iii) the nominal consideration of HK$1.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

No share options were granted, exercised, cancelled, or lapsed under the share option schemes of the Company during the year.

29. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the share option schemes of the Company during the year:

Name or category of participant	Number of share options at 1 October 2005 and at 30 September 2006	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$*	Price of Company's share at date of grant of options*** *HK$*
Directors					
Ms. Wong Choi Kam	6,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Ms. Wong King Ching, Helen	1,500,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Mr. Leung Chi Fai	1,050,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	8,550,000				
Other employees in aggregate	25,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	33,550,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

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

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 33,550,000 share options outstanding under the share option schemes of the Company. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 33,550,000 additional ordinary shares of the Company and additional share capital of HK$3,355,000 and share premium of HK$36,905,000 (before issue expenses).

30. RESERVES

Group

	Share premium account HK$'000	Contributed surplus* HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve fund# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2004								
As previously reported	177,325	56,471	509	48,282	(7,335)	–	497,761	773,013
Prior year adjustments *(note 2.4(b))*	–	–	–	(4,101)	–	–	(4,878)	(8,979)
As restated	177,325	56,471	509	44,181	(7,335)	–	492,883	764,034
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	8,638	–	–	8,638
Transfer from retained profits	–	–	–	–	–	11,180	(11,180)	–
Profit for the year (as restated)	–	–	–	–	–	–	27,109	27,109
Proposed final 2005 dividend	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2005	177,325	56,471	509	44,181	1,303	11,180	498,652	789,621
At 1 October 2005								
As previously reported	177,325	56,471	509	48,282	1,303	11,180	504,086	799,156
Prior year adjustments *(note 2.4(a))*	–	–	–	(4,101)	–	–	(5,434)	(9,535)
As restated	177,325	56,471	509	44,181	1,303	11,180	498,652	789,621
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	18,749	–	–	18,749
Transfer from retained profits	–	–	–	–	–	996	(996)	–
Profit for the year	–	–	–	–	–	–	14,477	14,477
Proposed final 2006 dividend	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2006	**177,325**	**56,471**	**509**	**44,181**	**20,052**	**12,176**	**501,973**	**812,687**

In accordance with the financial regulations applicable in Mainland China, a portion of the profits of a subsidiary in Mainland China has been transferred to reserve fund which is restricted as to use.

30. RESERVES *(Continued)*

Company

	Share premium account HK$'000	Contributed surplus* HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2004	177,325	118,377	509	197,165	493,376
Loss for the year	–	–	–	(6,021)	(6,021)
Proposed final 2005 dividend	–	–	–	(10,160)	(10,160)
At 30 September 2005 and at 1 October 2005	177,325	118,377	509	180,984	477,195
Loss for the year	–	–	–	(4,375)	(4,375)
Proposed final 2006 dividend	–	–	–	(10,160)	(10,160)
At 30 September 2006	177,325	118,377	509	166,449	462,660

* The contributed surplus of the Group represents the difference between the aggregate of the nominal value of the share capital of the subsidiaries acquired at the date of acquisition, over the nominal value of the share capital of the Company issued in exchange therefor and issued on incorporation.

The contributed surplus of the Company at the date of acquisition represents the excess of the then combined net assets of the subsidiaries acquired at the date of acquisition over the aggregate of the nominal value of the Company's shares issued in exchange therefor.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property located in Hong Kong (note 14) and certain of its leasehold land and buildings located in the PRC under operating lease arrangements, with the leases negotiated for terms ranging from one to three years.

At 30 September 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**123**	111

(b) As lessee

The Group and the Company lease certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms of two years.

At 30 September 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**533**	283	**61**	243
In the second to fifth years, inclusive	**78**	61	**–**	61
	611	344	**61**	304

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**18,496**	26,409
Authorised, but not contracted for:		
Acquisition of land use rights	**13,257**	17,378
	31,753	43,787

The Company did not have any significant commitment as at the balance sheet date (2005: Nil).

33. CONTINGENT LIABILITIES

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

	Company	
	2006	2005
	HK$'000	*HK$'000*
Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries	**171,000**	151,000

As at the balance sheet date, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$9,243,000 (2005: HK$13,288,000).

The Group did not have any significant contingent liabilities as at the balance sheet date (2005: Nil).

34. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group acquired certain property, plant and equipment, of which deposits of HK$4,589,000 (2005: HK$4,940,000) for acquisition of property, plant and equipment were paid in the prior year.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group sold finished goods amounting to HK$9,675,000 (2005: HK$9,715,000) to a company of which the spouse of Ms. Wong Choi Kam, a director of the Company, is a director and controlling shareholder.

The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

The above related party transactions also constituted connected transactions as defined in the Listing Rules.

(b) Details of the Group's balance with its jointly-controlled entity as at the balance sheet date is disclosed in note 17 to the financial statements.

(c) The directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 8 to the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments such as interest rate swaps and forward currency contracts shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank borrowings. The Group has an interest rate risk management policy in place to monitor and mitigate interest rate risk within tolerable risk limits.

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

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the senior management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, derivative financial instruments, equity investments and other financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

37. COMPARATIVE AMOUNTS

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 January 2007.