1. GENERAL AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company is incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10th February, 2006. The principal activities of its subsidiaries are set out in note 25. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Group Reorganisation"), the Company became the ultimate holding company of the Group on 16th November, 2005. Details of the Group Reorganisation are more fully explained in Appendix VI to the prospectus of the Company dated 26th January, 2006 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31st December, 2005 have been prepared using the principles of merger accounting. The consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31st December, 2005 have been prepared on the basis as if the current group structure had been in existence throughout the period or since their date of incorporation where this is a shorter period. The consolidated balance sheet of the Group as at 31st December, 2005 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Standard, Amendments and Interpretations (new "HKFRS"s) issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new Standards, Amendments and Interpretations ("INT"s) that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards, Amendments or INTs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions [7]
HK(IFRIC) – INT 12	Service concession arrangements [8]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2009.

[3] Effective for annual periods beginning on or after 1st March, 2006.

[4] Effective for annual periods beginning on or after 1st May, 2006.

[5] Effective for annual periods beginning on or after 1st June, 2006.

[6] Effective for annual periods beginning on or after 1st November, 2006.

[7] Effective for annual periods beginning on or after 1st March, 2007.

[8] Effective for annual periods beginning on or after 1st January, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the historical cost convention and HKFRSs and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordiance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

Rental income, including rentals invoiced in advance, from investment properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

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

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are carried at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of investment properties are depreciated over its estimated useful life of 20 or 50 years using the straight line method. Gains or losses arising from disposal of the property is determined as difference between the sales proceeds and the carrying amount of the property and is recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and any identified impairment loss at the balance sheet date.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

For the leasehold land and buildings in Hong Kong where the cost of leasehold land cannot be reliably separated from the cost of leasehold land and buildings, the cost of leasehold land and buildings is depreciated and amortised over the lease term of 50 years using the straight line method.

The cost of buildings in Mainland China (the "PRC") is depreciated over 20 years using the straight line method.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective leases or 5 years, whichever is shorter.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

Land use rights

Payment for obtaining land use rights is considered as operating lease and charged to the income statement over the period of the right using the straight line method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade and other receivables/amounts due from related companies/amounts due from shareholders

Trade and other receivables, amounts due from related companies and amounts due from shareholders are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash at hand and are subject to an insignificant risk of changes in value.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

Impairment of assets

At each balance sheet date, assets are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

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

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

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

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 asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. United States Dollar ("US$")) at the rate of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Operating leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

4. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, amounts due from shareholders and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

4. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's principal financial assets are trade and other receivables, amounts due from related companies/shareholders and bank balances and cash. The amount disclosed on balance sheet represents the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables estimated by the Group's management based on prior experience and their assessment of the current economic environment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Business segment

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacture and sales of plastic and metallic parts and components of optical and opto-electronic products.

Geographical segment

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of which are generated from or situated in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. PROFIT BEFORE TAXATION

	2006 US$'000	2005 US$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 7)*	**114**	24
Other staff's retirement benefits scheme contributions	**143**	127
Other staff costs	**8,326**	6,426
	8,583	6,577
Less: Staff costs included in research and development costs	**(190)**	(206)
	8,393	6,371
Depreciation and amortisation of property, plant and equipment	**3,894**	3,575
Less: Depreciation and amortisation included in research and development costs	**(7)**	(7)
	3,887	3,568
Auditor's remuneration	**174**	203
Depreciation on investment properties	**62**	59
Exchange loss	**504**	–
Loss on disposal of property, plant and equipment	**3**	62
Operating lease rentals in respect of		
– land use rights	**5**	9
– motor vehicles	**42**	–
– plant and machinery	**677**	–
– rented premises	**751**	775
Research and development costs	**835**	910
and after crediting:		
Exchange gain	**–**	850
Interest income	**5,165**	414
Property rental income before deduction of negligible outgoings	**529**	716
Write back of allowances for bad and doubtful debts	**153**	–

7. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

Details of emoluments paid by the Group to the directors are as follows:

	2006			2005		
	Fees	**Salaries and other benefits**	**Total**	Fees	Salaries and other benefits	Total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Executive directors						
Mr. Cheng Wen-Tao	**15**	**–**	**15**	3	–	3
Mr. Tong Ching-Hsi	**15**	**–**	**15**	3	–	3
Mr. Liao Kuo-Ming	**15**	**–**	**15**	3	–	3
Non-executive directors						
Mr. Lai I-Jen	**15**	**–**	**15**	3	–	3
Ms. Wu Shu-Ping	**15**	**–**	**15**	3	–	3
Independent non-executive directors						
Ms. Chiang Hsiang-Tsai	**13**	**–**	**13**	3	–	3
Mr. Chou Chih-Ming	**13**	**–**	**13**	3	–	3
Mr. Lai Chung-Hsiung	**13**	**–**	**13**	3	–	3
	114	**–**	**114**	24	–	24

The five highest paid individuals are as follows:

	2006	2005
	US$'000	US$'000
Employees		
– basic salaries and allowances	**76**	70
– retirement benefits scheme contributions	**3**	2
	79	72

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group. None of the directors has waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

8. TAXATION

	2006	2005
	US$'000	US$'000
The charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the year	**(357)**	(1,021)
Deferred taxation	**146**	37
	(211)	(984)

The PRC subsidiary is entitled to 50% relief from PRC income tax pursuant to relevant PRC laws and regulations as it is classified as an export enterprise.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's profits neither arises in nor derived from Hong Kong during the year.

Tax charge for the year is reconciled to the profit before taxation as follows:

	2006		2005	
	US$'000	**%**	US$'000	%
Profit before taxation	**22,867**		21,014	
Tax at the applicable income tax rate	**(7,546)**	**(33.0)**	(6,935)	(33.0)
Tax effect of expenses not deductible for tax purposes	**(268)**	**(1.2)**	(116)	(0.6)
Tax effect of income not taxable for tax purposes	**1,880**	**8.2**	852	4.1
Tax effect of deemed deductions in the PRC	**5,755**	**25.2**	3,828	18.2
Effect of tax exemption granted to the PRC subsidiary	**–**	**–**	1,350	6.4
Others	**(32)**	**(0.1)**	37	0.2
Tax charge and effective tax rate for the year	**(211)**	**(0.9)**	(984)	(4.7)

9. DIVIDENDS

	2006	2005
	US$'000	US$'000
Special interim dividend of US0.60 cents (2005: Nil) per share paid	**5,001**	–
Final dividend of US1.58 cents per share proposed (2005: US8.61 cents per share paid)	**13,088**	4,522
	18,089	4,522

The final dividend of HK$0.123 (approximately US1.58 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting. It is calculated on the basis of 830,000,000 shares in issue at the date of this report.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit for the period attributable to equity holders of the Company of US$22,656,000 (2005: US$20,030,000) and on the weighted average number of 807,534,247 shares (2005: 640,000,000 shares in issue during the year on the assumption that the Group Reorganisation had been effective on 1st January, 2005).

No diluted earnings per share is presented as there were no potential dilutive shares during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

11. INVESTMENT PROPERTIES

	2006 US$'000	2005 US$'000
COST		
At 1st January	**1,330**	1,298
Currency realignment	**40**	32
At 31st December	**1,370**	1,330
DEPRECIATION		
At 1st January	**495**	424
Currency realignment	**15**	12
Provided for the year	**62**	59
At 31st December	**572**	495
CARRYING VALUE		
At 31st December	**798**	835
The carrying value of the Group's investment properties held under medium-term leases are situated in:		
– Hong Kong	**66**	68
– the PRC	**732**	767
	798	835

The fair value of the Group's investment properties at the balance sheet date was approximately US$1,510,000 (2005: US$1,230,000). The fair value has been arrived at based on a valuation as at 31st December, 2006 determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was carried out with reference to recent market prices for similar properties.

All the Group's investment properties are held for rental purposes under operating leases.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Plant and machinery US$'000	Total US$'000
At 1st January, 2005	3,994	4,939	806	719	26,575	37,033
Currency realignment	96	133	27	17	724	997
Additions	–	242	387	–	1,477	2,106
Disposals	–	(39)	–	(117)	(108)	(264)
At 31st December, 2005	4,090	5,275	1,220	619	28,668	39,872
Currency realignment	125	200	46	18	995	1,384
Additions	62	1,901	370	1	4,733	7,067
Disposals	–	(229)	–	(58)	(286)	(573)
At 31st December, 2006	4,277	7,147	1,636	580	34,110	47,750
DEPRECIATION AND AMORTISATION						
At 1st January, 2005	1,265	1,835	298	343	8,308	12,049
Currency realignment	38	57	11	8	257	371
Provided for the year	175	607	220	66	2,507	3,575
Eliminated on disposals	–	(35)	–	(105)	(54)	(194)
At 31st December, 2005	1,478	2,464	529	312	11,018	15,801
Currency realignment	52	97	22	12	386	569
Provided for the year	183	1,133	310	196	2,072	3,894
Eliminated on disposals	–	(199)	–	(52)	(181)	(432)
At 31st December, 2006	1,713	3,495	861	468	13,295	19,832
NET BOOK VALUES						
At 31st December, 2006	2,564	3,652	775	112	20,815	27,918
At 31st December, 2005	2,612	2,811	691	307	17,650	24,071

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	2006 US$'000	2005 US$'000
The carrying amounts of the Group's property interests comprises:		
Properties held under medium-term leases		
– land and buildings in Hong Kong	**153**	158
– buildings in the PRC	**2,411**	2,454
	2,564	2,612

13. LAND USE RIGHTS

	2006 US$'000	2005 US$'000
CARRYING VALUE		
At 1st January	**238**	192
Currency realignment	**8**	3
Additions during the year	**–**	52
Charged to income statement during the year	**(5)**	(9)
At 31st December	**241**	238

Land use rights represent prepayment of rentals for land situated in the PRC for a period of 50 years.

14. DEFERRED TAXATION

The following is the deferred tax asset recognised by the Group and movements thereon during the year.

	Difference in depreciation US$'000
At 1st January, 2005	990
Currency realignment	26
Credit to income statement for the year	37
At 31st December, 2005	1,053
Currency realignment	33
Credit to income statement for the year	146
At 31st December, 2006	1,232

15. INVENTORIES

	2006 US$'000	2005 US$'000
Raw materials	**3,298**	1,483
Work in progress	**112**	109
Finished goods	**1,092**	273
	4,502	1,865

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

16. OTHER FINANCIAL ASSETS

Trade and other receivables

	2006	2005
	US$'000	US$'000
Trade receivables		
– related companies in which certain directors of the Company have beneficial interests	**1,913**	782
– others	**19,101**	17,335
	21,014	18,117
Other receivables	**178**	1,000
	21,192	19,117

Payment terms with customers are mainly on credit together with deposits. Invoices to outside customers are normally payable within 60 to 120 days of issuance, while invoices to long-established customers are normally payable within one year. The following is an aged analysis of trade receivables at the balance sheet date.

	2006	2005
	US$'000	US$'000
Age		
0 to 60 days	**15,051**	13,338
61 to 90 days	**4,157**	3,499
91 to 180 days	**1,561**	2,216
181 to 365 days	**937**	131
1 – 2 years	**101**	22
Over 2 years	**230**	270
	22,037	19,476
Less: Allowance for bad and doubtful debts	**(1,023)**	(1,359)
	21,014	18,117

The directors consider the carrying amount of trade and other receivables approximates its fair value.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank deposits carry at the prevailing market interest rate of approximately 3.8% (2005: 3.7%) per annum. The directors consider the fair value of the bank deposits approximates to the corresponding carrying amount.

17. AMOUNTS DUE FROM RELATED COMPANIES/SHAREHOLDERS

The directors consider the carrying amount of amounts due from related companies and shareholders approximates their fair values.

The amounts due from related companies which represent companies in which certain substantial shareholders of the Company, Ability Enterprises (BVI) Co. Ltd. ("Ability Enterprise") and Asia Promotion Optical International Ltd. ("Asia Promotion") have beneficial interests are interest-free and repayable on demand.

The amounts due from shareholders which represent amounts due from Ability Enterprise and Asia Promotion are interest-free and repayable on demand.

18. TRADE AND OTHER PAYABLES

	2006	2005
	US$'000	US$'000
Trade payables		
– related companies in which certain directors of the Company have beneficial interests	**30**	21
– others	**10,797**	6,387
	10,827	6,408
Balance of consideration payable for purchase of property, plant and equipment	**1,824**	437
Payroll and welfare payables	**1,060**	846
Other payables	**1,911**	1,965
	15,622	9,656
Age		
0 to 60 days	**9,002**	5,404
61 to 90 days	**1,477**	715
91 to 180 days	**239**	289
181 to 360 days	**109**	–
	10,827	6,408

The directors consider the carrying amount of trade and other payables approximates its fair value.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

19. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
– at 1st January, 2005	50,000	500	100	1
– increase in authorised share capital	950,000	9,500	–	–
– issued pursuant to Group Reorganisation	–	–	52,400	524
– at 31st December, 2005	1,000,000	10,000	52,500	525
– issue of shares pursuant to a subscription agreement	–	–	17,500	175
– issue of shares on capitalisation issue	–	–	570,000	5,700
– issue of shares by placing and public offer	–	–	190,000	1,900
– at 31st December, 2006	1,000,000	10,000	830,000	8,300

	US$'000
Shown in the consolidated balance sheet	
– at 31st December, 2006	1,069
– at 31st December, 2005	67

On 20th January, 2006, a subscription agreement as more fully explained in paragraph headed "Summary of material contracts" in Appendix VI to the Prospectus, was entered into amongst Fortune Lands International Limited (the "Fortune Lands"), Richman International Group Co., Ltd. (the "Richman International") and the Company pursuant to which Fortune Lands subscribed for 13,125,000 shares of the Company at HK$38,400,000 and Richman International subscribed for 4,375,000 shares of the Company at HK$70,400,000 respectively on the same date.

According to the written shareholders' resolution of the Company dated 18th January, 2006, an amount of HK$5,700,000 (equivalent to US$735,000) was capitalised on 1st February, 2006 to the Group's share premium account pursuant to the Group Reorganisation.

On 9th February, 2006, 200,000,000 ordinary shares of HK$0.01 each of the Company consisted of 160,000,000 new shares and 40,000,000 sale shares that were issued and sold, respectively, at HK$2.2 per share by way of placing and public offer.

On 1st March, 2006, an over-allotment option was exercised pursuant to a written shareholders' resolution of the Company for further issuance of 30,000,000 shares of HK$0.01 each of the Company at HK$2.2 per share.

20. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 18th January, 2006 for the primary purpose of providing incentives to and recognising significant contributions from directors and eligible employees, and will expire on 17th January, 2016. Under the Scheme, the Board of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services to the Company and for the purpose of rewarding their contribution to the long term success of the Group by providing the opportunity to obtain ownership interest in the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the date of listing of shares on the Stock Exchange in issue which represents 80,000,000 shares (excluding the over-allotment portion), without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Scheme shall not in aggregate exceed 30% of the shares in issue from time to time. No option may be granted under this Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment in total of HK$1. Options may be exercised at any time immediately from the date of grant of the share option and during the period in which notified by the directors at date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Up to 31st December, 2006, no options were granted to directors, eligible employees and other outside third parties under the Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

21. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Motor vehicles		Plant and machinery		Rented premises	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**39**	–	**677**	–	**559**	754
In the second to fifth year inclusive	**23**	–	**1,522**	–	**–**	550
	62	–	**2,199**	–	**559**	1,304

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments in respect of rented investment properties which fall due as follows:

	2006	2005
	US$'000	US$'000
Within one year	**546**	547
In the second to fifth year inclusive	**–**	541
	546	1,088

22. CAPITAL COMMITMENTS

	2006	2005
	US$'000	US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**332**	42

23. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and each of the employee make monthly mandatory contributions to the Scheme.

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

No forfeited contributions are available to reduce the contribution payable in the future years.

24. RELATED PARTY TRANSACTIONS

During the year, the Group has the following significant transactions with related companies in which certain directors of the Company Messrs. Cheng Wen-Tao and Tong Ching-Hsi have beneficial interests:

Nature of transactions	**2006** **US$'000**	2005 US$'000
Sales of goods	**4,595**	1,906
Purchase of raw materials	**790**	1,524
Interest income	**–**	11
Property rental income	**317**	457
Agency handling income	**–**	222
Management fee paid	**1,198**	1,129

The Company's directors represented the Group's key management and their emoluments for the year are set out in note 7.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

25. SUBSIDIARIES

Details of the Company's subsidiaries, all of which are wholly-owned by the Company, at 31st December, 2006 are as follows:

Name of subsidiary	Country of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Principal activities
Yorkey Optical Technology Limited	Samoa/PRC	US$550,001	Investment holding and trading of plastic and metallic parts and components of optical and opto-electronic products
Bioamazing Services Limited	British Virgin Islands/PRC	US$1	Provision of research technical support services
Click Away Services Limited	British Virgin Islands/PRC	US$1	Provision of technical training and after sales services
東莞精熙光機有限公司 (Dongguan Yorkey Optical Machinery Components Ltd.)	PRC wholly foreign owned enterprise established for a term of 30 years commencing 11th December, 1995	US$16,300,000	Manufacture and sales of plastic and metallic parts and components of optical and opto-electronic products

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.