1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 37.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
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 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 March 2006.
4 Effective for annual periods beginning on or after 1 May 2006.
5 Effective for annual periods beginning on or after 1 June 2006.
6 Effective for annual periods beginning on or after 1 November 2006.
7 Effective for annual periods beginning on or after 1 March 2007.
8 Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

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

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

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates *(continued)*

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

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

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interest in jointly controlled entity using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

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 provided in the normal course of business, net of discounts.

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

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

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.

Commission income is recognised on an accrual basis when the Group's entitlement to payment has been established.

Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to asset revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives using the straight-line method.

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

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

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

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefits scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Club memberships

Club memberships are carried at cost less any subsequent accumulated impairment losses.

Club memberships 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 club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of club memberships 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 that club memberships in prior years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method for electronic products and the weighted average cost method for other inventories.

Financial instruments

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss represent financial assets held-for-trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

Financial liabilities

The Group's financial liabilities including trade and other payables, bills payable, bank borrowings and obligations under finance leases, are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses (other than goodwill and club memberships)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for trade and other receivables

The assessment of the allowance for trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2006, the carrying value trade and other receivables (net of allowance) is HK$357,665,000 (2005: HK$478,215,000).

Income tax

As at 31 December 2006, deferred tax assets in relation to unused tax losses and unrecognised deductible temporary differences amounted to HK$65,888,000 and HK$10,293,000, respectively have not been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material deferred tax assets may arise, which would be recognised in the consolidated income statement for the period.

5. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, held-for-trading investments, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings. 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group mainly operates in Hong Kong, the mainland of the People's Republic of China (the "Mainland PRC") and Taiwan and exposure in exchange rate risks arises from fluctuations in the United State dollar, Hong Kong dollar and Renminbi exchange rates. The directors consider that the risk is minimal to the Group at current stage.

The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

5. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

Market risk (continued)

Cash flow interest rate risk

The Group's cash flow interest rate risk mainly relates to variable-rate borrowings. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

Price risk

The Group's available-for-sale investments and held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 is the carrying amounts of trade and other receivables and bills receivable as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual trade receivable 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 the counterparties are banks with good reputation.

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

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts.

Business segments

For management purposes, the Group's operations are organised into two operating divisions namely distribution of electronic components and semiconductors products and distribution of sports products. These divisions are the basis on which the Group reports its primary segment information.

6. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below.

2006

	Distribution of electronic components and semiconductors products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
TURNOVER			
External sales	2,274,532	26,608	2,301,140
RESULT			
Segment result	73,790	(3,092)	70,698
Interest income			7,129
Unallocated corporate expenses			(13,885)
Unallocated corporate income			7,039
Increase in fair value of investment properties			4,521
Finance costs			(32,559)
Share of results of associates	(151)	-	(151)
Impairment loss on available-for-sale investments			(15,600)
Gain on deemed disposal of interest in an associate	329	-	329
Profit before taxation			27,521
Taxation			(5,149)
Profit for the year			22,372

6. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2006 *(continued)*

	Distribution of electronic components and semiconductors products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET			
ASSETS			
Segment assets	945,176	36,623	981,799
Interests in associates	699	-	699
Unallocated corporate assets			214,188
Total assets			1,196,686
LIABILITIES			
Segment liabilities	200,073	3,307	203,380
Unallocated corporate liabilities			619,465
Total liabilities			822,845

	Distribution of electronic components and semiconductors products HK$'000	Distribution of sports products HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital additions	24,066	6,581	-	30,647
Depreciation and amortisation of property, plant and equipment	8,031	857	2,003	10,891
Loss on disposal of property, plant and equipment	26	294	208	528
(Reversal of) allowance for trade and other receivables	(1,863)	3,000	-	1,137

6. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2005

	Distribution of electronic components and semiconductors products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
TURNOVER			
External sales	2,354,442	99,196	2,453,638
RESULT			
Segment result	58,574	7,994	66,568
Interest income			3,055
Unallocated corporate expenses			(8,329)
Unallocated corporate income			13,185
Finance costs			(23,636)
Share of results of associates	(263)	–	(263)
Gain on deemed disposal of interest in an associate	311	–	311
Profit before taxation			50,891
Taxation			(8,126)
Profit for the year			42,765

6. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2005 *(continued)*

	Distribution of electronic components and semiconductors products HK$'000	Distribution of sports products HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET			
ASSETS			
Segment assets	962,649	46,252	1,008,901
Interests in associates	521	–	521
Unallocated corporate assets			205,106
Total assets			1,214,528
LIABILITIES			
Segment liabilities	242,561	12,185	254,746
Unallocated corporate liabilities			588,635
Total liabilities			843,381

	Distribution of electronic components and semiconductors products HK$'000	Distribution of sports products HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital additions	32,485	7,225	5,223	44,933
Depreciation and amortisation of property, plant and equipment	7,310	477	1,005	8,792
Loss on disposal of property, plant and equipment	32	–	–	32
Allowance for trade and other receivables	9,502	420	–	9,922

6. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

The Group's operations are located in Hong Kong, the Mainland PRC and Taiwan. The Group's distribution of electronic components and semiconductors products is mainly carried out in Hong Kong, the Mainland PRC and Taiwan. Distribution of sports products is carried out in Hong Kong and the Mainland PRC.

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

	Sales revenue by geographical market	
	2006	2005
	HK$'000	HK$'000
Mainland PRC	**1,461,957**	1,422,565
Hong Kong	**556,467**	773,497
Taiwan	**254,427**	221,135
Others	**28,289**	36,441
	2,301,140	2,453,638

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**596,567**	470,354	**13,167**	12,873
Mainland PRC	**301,453**	469,599	**17,480**	31,995
Taiwan	**79,305**	59,022	**–**	–
Others	**4,474**	9,926	**–**	65
	981,799	1,008,901	**30,647**	44,933

7. FINANCE COSTS

	2006 **HK$'000**	2005 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**31,334**	18,640
– bank borrowings not wholly repayable within five years	**1,212**	4,960
– obligations under finance leases	**13**	36
	32,559	23,636

8. DIRECTORS' REMUNERATIONS

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

2006

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Dr. Chang Chu Cheng HK$'000	Dr. Lui Ming Wah *SBS JP* HK$'000	Chang Ping Kin HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Lau Ping Cheung HK$'000	Total HK$'000
Fees	-	-	-	50	-	50	-	100	-	200
Other emoluments										
Salaries and other benefits	4,466	490	-	-	-	-	-	-	-	4,956
Retirement benefits scheme contributions	211	14	-	-	-	-	-	-	-	225
Performance related incentive payments (note)	1,505	84	-	-	-	-	-	-	-	1,589
Total emoluments	6,182	588	-	50	-	50	-	100	-	6,970

8. DIRECTORS' REMUNERATIONS *(continued)*

2005

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Cheung Yuk Kuen HK$'000	Dr. Chang Chu Cheng HK$'000	Dr. Lui Ming Wah *SBS JP* HK$'000	Chang Ping Kin HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Lau Ping Cheung HK$'000	Total HK$'000
Fees	–	78	–	–	50	95	50	–	200	100	573
Other emoluments											
Salaries and other benefits	3,877	362	332	–	–	–	–	–	–	–	4,571
Retirement benefits scheme contributions	118	–	11	–	–	–	–	–	–	–	129
Performance related incentive payments *(note)*	1,755	–	310	–	–	–	–	–	–	–	2,065
Total emoluments	5,750	440	653	–	50	95	50	–	200	100	7,338

Note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

During the years ended 31 December 2006 and 2005, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2006 and 2005, no directors waived any emoluments.

9. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, one (2005: one) was a director of the Company whose remunerations are set out in note 8 above. The remuneration of the remaining four (2005: four) individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**2,916**	2,952
Performance related incentive payments	**160**	1,549
Retirement benefits scheme contributions	**112**	112
	3,188	4,613

9. EMPLOYEES' REMUNERATIONS *(continued)*

Their emoluments were within the following bands:

	2006 No. of employees	2005 No. of employees
HK$ nil to HK$ 1,000,000	**4**	2
HK$ 1,000,001 to HK$ 1,500,000	**-**	2

10. TAXATION

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**3,271**	6,718
(Over) under provision in prior years	**(273)**	120
	2,998	6,838
Deferred taxation *(note 31)*	**2,151**	1,288
	5,149	8,126

10. TAXATION *(continued)*

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

Under Decree-Law no. 58/99/M, Macau companies incorporated under the law ("58/99/M Companies") are exempted from Macau complementary tax (Macau income tax) as long as the 58/99/M companies do not sell its products to any Macau resident companies.

No PRC income tax is payable by the Group since the Mainland PRC subsidiaries incurred tax losses for the year.

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

	2006	2005
	HK$'000	HK$'000
Profit before taxation	**27,521**	50,891
Tax at Hong Kong Profits Tax rate of 17.5%	**4,816**	8,906
Tax effect of expenses not deductible for tax purpose	**5,575**	1,383
Tax effect of income not taxable for tax purpose	**(616)**	(143)
(Over) under provision in prior years	**(273)**	120
Tax effect of tax losses/other deferred tax assets not recognised	**867**	2,127
Utilisation of tax losses/other deferred tax assets previously not recognised	**(5,220)**	(1,945)
Effect of tax exemption granted to Macau subsidiaries	**-**	(2,322)
Tax charge for the year	**5,149**	8,126

11. PROFIT FOR THE YEAR

	2006 HK$'000	2005 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remunerations		
– salaries and other benefits	**42,137**	39,842
– performance related incentive payments	**1,589**	2,065
– retirement benefits scheme contributions, net of forfeited contributions of HK$71,000 (2005: HK$197,000)	**1,288**	1,181
	45,014	43,088
Auditors' remuneration	**1,291**	1,166
Depreciation and amortisation of property, plant and equipment	**10,891**	8,792
Allowance for trade and other receivables	**1,137**	9,922
Allowance for inventories	**–**	10,846
Loss on disposal of property, plant and equipment	**528**	32
Cost of inventories recognised as an expenses	**2,144,960**	2,286,754
Net foreign exchange losses	**–**	1,574
and after crediting:		
Net foreign exchange gain	**493**	–
Reversal of allowance for inventories	**744**	–
Increase in fair value of held-for-trading investments	**3,702**	9,507
Gain on disposal of available-for-sale investments	**–**	300
Rental income from properties, net of outgoings of HK$42,000 (2005: HK$25,000)	**3,391**	2,886

12. DIVIDENDS PAID

	2006 HK$'000	2005 HK$'000
2006 interim dividend of HK2.0 cents (2005: HK2.0 cents) per share	**4,851**	4,851
2005 final dividend of HK5.0 cents (2004: HK4.0 cents) per share	**12,127**	9,701
	16,978	14,552

A final dividend of HK5.0 cents (2005: HK5.0 cents) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to equity holders of the Company of HK$18,201,000 (2005: HK$40,110,000) and 242,540,720 (2005: 242,540,720) ordinary shares in issued during the year.

No diluted earnings per share has been presented as the Company had no potential ordinary shares outstanding during the year.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2005	58,000
Additions	20,679
At 31 December 2005	78,679
Additions	4,000
Increase in fair value recognised in the consolidated income statement	4,521
At 31 December 2006	**87,200**

The fair values of the Group's investment properties at 31 December 2006 have been arrived at on the basis of a valuation carried out on that date by Savills. Savills are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

The investment properties are held under medium term leases in Hong Kong and held for rental income under operating leases.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles and vessel	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION							
At 1 January 2005	88,991	18,564	–	11,943	13,066	12,768	145,332
Additions	35,507	1,334	–	2,325	2,087	3,680	44,933
Disposals	–	–	–	(13)	(27)	(454)	(494)
At 31 December 2005	124,498	19,898	–	14,255	15,126	15,994	189,771
Additions	13,774	1,044	851	8,377	6,541	60	30,647
Disposals	–	–	–	(461)	(24)	(1,060)	(1,545)
At 31 December 2006	138,272	20,942	851	22,171	21,643	14,994	218,873
Comprising:							
At cost	92,922	20,942	851	22,171	21,643	14,994	173,523
At valuation – 1994	45,350	–	–	–	–	–	45,350
	138,272	20,942	851	22,171	21,643	14,994	218,873
DEPRECIATION AND AMORTISATION							
At 1 January 2005	21,947	12,819	–	9,804	9,640	10,691	64,901
Provided for the year	2,663	2,834	–	995	1,392	908	8,792
Eliminated on disposals	–	–	–	(12)	(22)	(410)	(444)
At 31 December 2005	24,610	15,653	–	10,787	11,010	11,189	73,249
Provided for the year	3,335	2,384	–	2,227	1,640	1,305	10,891
Eliminated on disposals	–	–	–	(442)	(8)	(325)	(775)
At 31 December 2006	27,945	18,037	–	12,572	12,642	12,169	83,365
CARRYING VALUES							
At 31 December 2006	110,327	2,905	851	9,599	9,001	2,825	135,508
At 31 December 2005	99,888	4,245	–	3,468	4,116	4,805	116,522

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

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

Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Leasehold improvements	Over the term of the relevant lease
Others	5 years

The carrying values of leasehold land and buildings held by the Group at the balance sheet date comprises:

	2006	2005
	HK$'000	HK$'000
Land and buildings held in Hong Kong under medium term leases	**70,355**	62,219
Land and buildings held in Hong Kong under long term leases	**651**	672
Buildings held in the Mainland PRC under long term leases	**39,321**	36,997
	110,327	99,888

Certain owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

At 31 December 2006, the carrying value of motor vehicles and vessel included an amount of HK$199,000 (2005: HK$415,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the Mainland PRC under medium term lease.

	2006	2005
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current asset	**24**	–
Non-current asset	**1,179**	–
	1,203	–

17. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2005, 31 December 2005 and 31 December 2006	1,369

The carrying values of goodwill had been allocated to one individual cash generating unit namely distribution of sports products ("CGU"), including two subsidiaries engaged in the distribution of sports products.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using a steady 5% (2005: 5%) growth rate, and discount rate of 7% (2005: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

For the year ended 31 December 2006, management of the Group determines that there is no impairment of the CGU containing goodwill.

18. INTERESTS IN ASSOCIATES

	2006 **HK$'000**	2005 HK$'000
Cost of unlisted investments in associates	**943**	943
Share of post-acquisition losses	**(244)**	(422)
	699	521

Particulars of the Group's associates at 31 December 2006 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation/ operations**	**Class of shares held**	**Proportion of issued share capital held by the Group** %	**Principal activities**
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products
Now Electron Inc.	Incorporated	Republic of Korea	Ordinary	29	Trading of electronic products
Ocean Bright Technology Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products

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

	2006 **HK$'000**	2005 HK$'000
Total assets	**5,204**	40,800
Total liabilities	**(3,501)**	(39,127)
Net assets	**1,703**	1,673
Group's share of net assets of associates	**699**	521
Revenue	**21,348**	34,010
Loss for the year	**(894)**	(1,077)
Group's share of results of associates for the year	**(151)**	(263)

18. INTERESTS IN ASSOCIATES *(continued)*

The Group has discontinued recognition of its share of loss of certain associates. The amount of unrecognised share of the associates, both for the year and cumulatively, are as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Unrecognised share of losses of associates for the year and accumulated unrecognised share of losses of associates	**218**	–

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2006, the Group had interest in the following jointly controlled entity:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
Kitronix Limited	Incorporated	Hong Kong	Ordinary	35	Manufacturing of electronic products

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2006	2005
	HK$'000	HK$'000
Current assets	**25,043**	–
Non-current assets	**17,668**	–
Current liabilities	**5,991**	–
Income	**32**	–
Expenses	**1,312**	–

20. AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
	HK$'000	HK$'000
Available-for-sale investments comprise:		
AT FAIR VALUE		
Investments in overseas listed equity securities	**208**	208
Investments in unlisted equity securities in Hong Kong	**4,762**	4,462
	4,970	4,670
AT COST		
Investments in unlisted equity securities in the South Korea	**15,600**	15,600
Less: Impairment loss recognised	**(15,600)**	–
	–	15,600
	4,970	20,270

At 31 December 2006, all available-for-sale investments are stated at fair value, except for those unlisted equity securities in the Korea of which the fair values cannot be measured reliably.

The above unlisted securities in the South Korea represent investments in unlisted equity securities issued by private entities which are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year, the directors of the Company considered that as the investee is under liquidation and it is unlikely that the carrying amount of the available-for-sale investments can be recovered, an impairment loss of HK$15,600,000 has been recognised in full in the consolidated income statement.

21. CLUB MEMBERSHIPS

	2006 & 2005
	HK$'000
Club memberships outside Hong Kong, at cost	**3,012**

The directors are of the opinion that the club memberships are worth at least their carrying amounts by reference to bid prices quoted in active market.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits represent amount pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$23,396,000 (2005: HK$23,396,000) are with maturities more than one year from the balance sheet date and are therefore classified as non-current assets.

The pledged bank deposits and bank balances carry fixed interest rate of 3.5% (2005: 3.5%) per annum and variable interest rate of average 4% (2005: 2.6%) per annum, respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

23. INVENTORIES

	2006	2005
	HK$'000	HK$'000
Finished goods	**269,392**	278,617

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2006	2005
	HK$'000	HK$'000
Trade receivables	**329,185**	447,829
Other receivables	**28,480**	30,386
Total trade and other receivables	**357,665**	478,215
Bills receivable	**26,398**	47,720

The Group allows a credit period ranged from 30 days to 120 days to its trade customers.

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(continued)*

An aged analysis of trade and bills receivable by due date is as follows:

	2006 **HK$'000**	2005 HK$'000
Current	**224,286**	325,380
Within 30 days	**67,657**	100,964
More than 30 days and within 60 days	**29,923**	31,047
More than 60 days and within 90 days	**12,488**	10,076
More than 90 days	**21,229**	28,082
	355,583	495,549

25. HELD-FOR-TRADING INVESTMENTS

	2006 **HK$'000**	2005 HK$'000
Listed equity securities in Hong Kong	**12,025**	–

26. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	2006 **HK$'000**	2005 HK$'000
Trade payables	**118,119**	133,997
Other payables	**27,030**	24,766
Total trade and other payables	**145,149**	158,763
Bills payable	**63,056**	97,841

26. TRADE AND OTHER PAYABLES AND BILLS PAYABLE *(continued)*

An aged analysis of trade and bills payable by due date is as follows:

	2006	2005
	HK$'000	HK$'000
Current	**147,779**	193,045
Within 30 days	**20,127**	28,420
More than 30 days and within 60 days	**2,630**	6,567
More than 60 days and within 90 days	**3,026**	3,272
More than 90 days	**7,613**	534
	181,175	231,838

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**124**	181	**111**	166
More than one year, but not exceeding two years	**57**	148	**50**	134
More than two years, but not exceeding three years	**6**	57	**6**	50
More than three years, but not exceeding four years	**-**	6	**-**	6
	187	392		
Less: Future finance charges	**(20)**	(36)		
Present value of lease obligations	**167**	356	**167**	356
Less: Amount due for settlement within one year shown under current liabilities			**(111)**	(166)
Amount due for settlement after one year			**56**	190

27. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is three years. The average effective borrowing rate is 3% (2005: 3%). The leases are paid on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are denominated in Hong Kong dollars and are secured by the lessor's charge over the leased assets.

28. BANK BORROWINGS

	2006 **HK$'000**	2005 HK$'000
Bank borrowings comprise:		
Bank import loans	**387,976**	307,817
Other bank loans	**216,509**	269,059
Bank overdraft	**–**	4
	604,485	576,880
Analysed as:		
Secured	**564,538**	539,729
Unsecured	**39,947**	37,151
	604,485	576,880
The bank borrowings are repayable as follows:		
Within one year or on demand	**471,870**	426,694
More than one year, but not exceeding two years	**107,025**	13,725
More than two years, but not exceeding five years	**13,795**	124,251
More than five years	**11,795**	12,210
	604,485	576,880
Less: Amount due within one year shown under current liabilities	**(471,870)**	(426,694)
Amount due after one year	**132,615**	150,186

At 31 December 2006, all of the bank borrowings are variable-rate borrowings which carry interest ranging from London Inter Bank Offering Rate ("LIBOR") plus 0.9% to 1.5% or Hong Kong Inter Bank Offering Rate ("HIBOR") plus 0.9% to 1.5% (2005: LIBOR plus 1% to 2.25% or HIBOR plus 1% to 2.25%).

28. BANK BORROWINGS *(continued)*

The Group's borrowings denominated in the currencies other than the functional currency of the respective entity are set out below:

	2006	2005
	HK$'000	HK$'000
United States dollars	**385,067**	488,240

29. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2005, 31 December 2005 and 31 December 2006	242,540,720	24,254

	Number of non-redeemable convertible preference shares	**Amount**
		HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	46,000,000	4,600
Issued and fully paid:		
At 1 January 2005, 31 December 2005 and 31 December 2006	–	–

30. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution passed on 28 June 2002, the Company adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible directors and employees.

According to the Scheme, the board of directors (the "Board") of the Company may at their discretion grant options to any director, executive and employee of each member of the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 28 days from the date of grant. The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. There is no minimum period that a grantee must hold an option before it can be exercised. The Board may also provide restrictions on the exercise of a share option during the period a share option may be exercised. The exercise price is determined by the Board of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue as at the date of adoption of the Scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to each individual under the Scheme and any other share option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

No options have been granted under the Scheme since its adoption.

31. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior accounting periods:

	Accelerated tax depreciation	**Revaluation of properties**	**Tax losses**	**Other deferred tax assets**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	503	5,122	(38)	(262)	5,325
Charge (credit) for the year	1,244	–	(47)	91	1,288
At 31 December 2005	1,747	5,122	(85)	(171)	6,613
Charge (credit) for the year	1,328	791	(139)	171	2,151
At 31 December 2006	3,075	5,913	(224)	–	8,764

At 31 December 2006, the Group had unused tax losses of HK$67,169,000 (2005: HK$83,864,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$1,281,000 (2005: HK$487,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$65,888,000 (2005: HK$83,377,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At 31 December 2006, the Group had deductible temporary differences of HK$10,293,000 (2005: HK$18,649,000). A deferred tax asset had been recognised in respect of HK$977,000 of such deductible temporary differences for the year ended 31 December 2005. No deferred tax asset has been recognised in respect of the remaining HK$10,293,000 (2005: HK$17,672,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits cost of the ORSO Scheme and MPF Scheme charged to consolidated income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At 31 December 2006, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in the future years, was HK$4,000 (2005: HK$67,000).

Under the MPF Scheme, no forfeited contributions are available to reduce the contributions payable in the future years.

33. PLEDGE OF ASSETS

At 31 December 2006, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(a) investment properties and leasehold land and buildings with carrying values of HK$83,200,000 (2005: HK$78,679,000) and HK$97,720,000 (2005: HK$89,553,000), respectively;

(b) bank deposits of HK$68,493,000 (2005: HK$86,647,000);

(c) trade receivables of HK$155,474,000 (2005: HK$156,026,000);

(d) available-for-sale investments of HK$2,865,000 (2005: HK$2,865,000); and

(e) inventories of HK$84,370,000 (2005: HK$70,075,000).

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2006	2005
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of rented premises:		
Related parties	**145**	698
Outsiders	**1,763**	1,265
	1,908	1,963

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

	2006	2005
	HK$'000	HK$'000
Within one year	**681**	1,011
In the second to fifth year inclusive	**-**	465
	681	1,476

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for an average term of one year with fixed rental.

The Group as lessor

Property rental income earned during the year was HK$3,433,000 (2005: HK$2,911,000). The properties held have committed tenants for the next two (2005: two) years.

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

	2006	2005
	HK$'000	HK$'000
Within one year	**3,205**	2,859
In the second to fifth year inclusive	**2,310**	493
	5,515	3,352

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions during the year and balances at the balance sheet date with related parties in which certain directors of the Company have beneficial interests, are as follows:

(a) Transactions

Name of party	**Interested director**	**Nature of transactions**	**2006 HK$'000**	2005 HK$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") *(note)* and its subsidiaries	–	Purchases of electronic products	**41,927**	92,499
		Sales of electronic products	**246,576**	178,891
		Commission received by the Group	**-**	126
United Dynamic Limited	Yim Yuk Lun, Stanley *JP*	Rental expenses paid by the Group	**-**	440

(b) Balances

Name of party	**Nature of transactions**	**2006 HK$'000**	2005 HK$'000
Hon Hai and its subsidiaries	Balance at 31 December		
	– trade receivables	**71,972**	54,128
	– trade payables	**14,450**	29,250

Note: Hon Hai is a substantial shareholder of the Company.

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the balance sheet date, are as follows:

(a) Transactions

Name of party	Nature of transactions	2006 HK$'000	2005 HK$'000
Varitronix International Limited (note) and its subsidiaries	Purchases of electronic products	**1,136**	716
	Sales of electronic products	**71,384**	33,330
	Rental expenses paid by the Group	**145**	258
Associates:			
Bestime Technology Development Limited	Sales of electronic products	**221**	938
	Purchases of electronic products	**-**	12,889
Ocean Bright Technology Limited	Purchases of electronic products	**-**	11,907
Now Electron Inc.	Sales of electronic products	**8,685**	6,240

(b) Balances

Name of party	Nature of transactions	2006 HK$'000	2005 HK$'000
Varitronix International Limited and its subsidiaries	Balance at 31 December		
	– trade receivables	**7,639**	1,683
	– trade payables	**6**	331
Venturers of Kitronix Limited	Balance at 31 December		
	– other receivables	**667**	–
Associates:			
Bestime Technology Development Limited	Balance at 31 December		
	– trade receivables	**733**	854
Ocean Bright Technology Limited	Balance at 31 December		
	– trade receivables	**-**	771
	– trade payables	**-**	688
Now Electron Inc.	Balance at 31 December		
	– trade receivables	**1,532**	1,298
Vantage Technology Limited	Balance at 31 December		
	– other receivables	**-**	5,999

Note: Dr. Chang Chu Cheng, a director of the Company, has a beneficial interest in this company.

36. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company at 31 December 2006 are as follows:

	2006	2005
	HK$'000	HK$'000
Non-current assets		
Investments in subsidiaries	**33,645**	33,645
Current assets		
Other receivables	**218**	226
Amounts due from subsidiaries	**440,116**	278,805
Bank balances	**171**	74
	440,505	279,105
Current liabilities		
Other payables	**352**	236
Amounts due to subsidiaries	**222,258**	82,819
	222,610	83,055
Net current assets	**217,895**	196,050
	251,540	229,695
Capital and reserves		
Share capital	**24,254**	24,254
Reserves *(note)*	**227,286**	205,441
	251,540	229,695

Note:

	Share premium	**Capital redemption reserve**	**Contri-buted surplus**	**Accumulated profits (losses)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	10,992	1,109	209,387	(1,105)	220,383
Loss for the year	–	–	–	(390)	(390)
Dividend paid	–	–	(14,552)	–	(14,552)
At 31 December 2005	10,992	1,109	194,835	(1,495)	205,441
Profit for the year	–	–	–	38,823	38,823
Dividend paid	–	–	(16,978)	–	(16,978)
At 31 December 2006	10,992	1,109	177,857	37,328	227,286

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company	Principal activities
			%	
Dragon Trading Limited	British Virgin Islands	Ordinary US$40,000	100	Investment holding
Grant Square Investment Limited	Hong Kong	Ordinary HK$10,000	100	Holding a motor vehicle
Green Classic Investment Limited	Hong Kong	Ordinary HK$2	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	85	Distribution of electronic products
Manfield Venture Corporation	British Virgin Islands	Ordinary US$1	100	Investment holding
Mega Partner Electronic (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	100	Inactive *(note)*
RSL Electronic Company Limited	Hong Kong	Ordinary HK$5,000,000	100	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	100	Distribution of electronic products
S.A.S. (China) Development Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Distribution of electronic products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company %	Principal activities
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	100	
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	70	Distribution of electronic products
Smart-tech Electronic (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	100	Inactive *(note)*
Sportline Limited	Hong Kong	Ordinary HK$200,000	100	Distribution of sports products
時毅電子(深圳)有限公司**	Mainland PRC	HK$4,200,000	100	Distribution of electronic products
時捷電子科技(深圳)有限公司**	Mainland PRC	HK$3,000,000	100	Distribution of electronic products

* *The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.*

** *Foreign wholly-owned enterprise*

Note: The company has ceased its operations since 2005 and is under the process of deregistration.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held.

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

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

38. POST BALANCE SHEET EVENT

On 15 November 2006, the Group entered into an agreement to acquire 51% equity interest in Hi-Level Technology Limited, a company incorporated in Hong Kong and engaged in the development and provision of integrated circuits, at a consideration of HK$30,000,000, payable in cash.

The transaction was completed on 2 January 2007. Details of this acquisition were included in a circular issued by the Company dated 12 December 2006. The directors are of the view that it is impractical to disclose the financial information of Hi-Level Technology Limited as at 2 January 2007 at the date of this report since such financial information was not available.