

Consolidated Cash Flow Statement

For the year ended 31 December 2006 (Expressed in Hong Kong dollars)

	Note	2006 \$'000	2005 \$'000
Operating activities			
Profit/(loss) before taxation		196,702	(173,315)
Adjustments for:			
– Depreciation		80,815	73,894
– Amortisation of intangible assets		–	1,622
– Impairment loss on goodwill		–	28,340
– Impairment loss on intangible assets		–	25,428
– Impairment loss on fixed assets		–	81,035
– Impairment loss on available-for-sale securities		8,210	175,775
– Finance costs		3,297	6,785
– Dividend income from listed equity securities		(7,526)	(425)
– Interest income		(12,149)	(16,457)
– Transfer from equity on disposal of available-for-sale securities		(28,909)	(70)
– Discount on redemption of convertible notes		(3,740)	–
– Profit on disposal of fixed assets		(2,276)	(6,573)
– Equity-settled share-based transactions		–	11,373
– Foreign exchange (gain)/loss		(1,751)	8,218
Operating profit before changes in working capital		232,673	215,630
Decrease/(increase) in trading securities		29,081	(102,679)
(Increase)/decrease in inventories		(103,500)	78,778
(Increase)/decrease in trade and other receivables		(53,271)	128,178
Increase/(decrease) in trade and other payables		140,811	(41,252)
Cash generated from operations		245,794	278,655
Tax paid			
– Hong Kong Profits Tax paid		(28,101)	(28,743)
– Overseas tax paid		(10,189)	(6,538)
Net cash from operating activities		207,504	243,374

	Note	2006 \$'000	2005 \$'000
Investing activities			
Proceeds from disposal of fixed assets		14,754	11,023
Payment for purchase of fixed assets		(50,607)	(115,162)
Proceeds from disposal of available-for-sale securities		136,018	3,955
Payment for purchase of available-for-sale securities		(12,665)	(321,429)
Payment for acquisition of additional equity interest in a subsidiary		(39,904)	–
Dividends received		7,526	425
Interest received		12,149	16,457
Net cash from/(used in) investing activities		67,271	(404,731)
Financing activities			
New bank loans		147,520	139,337
Repayment of bank loans		(200,925)	(139,526)
Capital contribution by minority interest shareholders		4,973	2,820
Repayment of convertible notes		(26,520)	–
Interest paid		(3,146)	(6,595)
Proceeds on issue of shares		74	10,430
Dividends paid		(114,714)	(96,171)
Dividend paid to minority shareholders		(6,784)	–
Net cash used in financing activities		(199,522)	(89,705)
Net increase/(decrease) in cash and cash equivalents		75,253	(251,062)
Cash and cash equivalents at 1 January		415,845	669,394
Effect of foreign exchange rates changes		7,590	(2,487)
Cash and cash equivalents at 31 December	20	498,688	415,845

Note to the Consolidated Cash Flow Statement

(a) Major non cash transactions

- (i) During the year shares were issued as a result of scrip dividends.
- (ii) On 19 July 2006, the Company transferred, through Varitronix (B.V.I.) Limited (“Varitronix BVI”), to Harvest King Corporation Limited (“Harvest King”) a 10% interest in the share capital of Great Boom Developments Limited (“Great Boom”), and Harvest King transferred to Varitronix Marketing (China) Limited (“Varitronix Marketing”) its entire 20% equity interest in Varitronix Pengyuan Electronics Limited (“Varitronix Pengyan Electronics”) on the same date. Further details of this transaction are set out in note 28(b).

The notes on pages 38 to 86 form part of these financial statements.