NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2006

1. BASIS OF PREPARATION

a) General

The Company is incorporated in the 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 principal activity of the Company is investment holding. During the year, the Group's principal activities consisted of the design development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards ("PCBs"), the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing. There were no significant changes in the nature of the Group's principal activities during the year.

b) Basis of consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of presentation of financial statements

The financial statements are in Hong Kong dollars ("HK$"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified, as available-for-sale investments (see note 2(e)), as certain buildings (see note 2(g)), as investment properties (see note 2(f)), as properties held for sales (see note 2(k)) or as financial assets at fair value through profit or loss (see note 2(e)).

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries.

The preparation of financial statements in conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Subsidiaries *(Continued)*

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any future losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)(ii)).

d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (see note 2(e)).

The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see note 2(1)(i)). When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Other investment in debit and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit and loss.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet at amortised cost less impairment losses (see note 2(l)(i)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(l)(i)).

Other investments in securities which do not fall into any of the above categories are classified as available-for-sale investments and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 2(l)(i)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income, for capital appreciation or for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(vii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Investment properties *(Continued)*

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

g) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(l(ii)).

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(j)); and

— other items of plant and equipment.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation is calculated to write off the cost of valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Buildings situated on leasehold land	25 years
—	Leasehold improvements	2 - 20 years
—	Plant and machinery	5 - 15 years
—	Furniture, fixtures and office equipment	5 - 10 years
—	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Construction-in-progress

Construction-in-progress represents plant and properties under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(l)(ii)). Cost comprises direct costs of construction as well as interest charges during the periods of construction and installation. Capitalisation of these costs ceases and the construction-in-progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

i) Deferred product development costs

Research and development expenditures

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Deferred product development costs *(Continued)*

Research and development expenditures (Continued)

Amortisation of intangible assets with finite useful lives is charged to income statement on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— capitalised development costs 7 years

Both the period and method of amortisation are reviewed annually.

j) Leases

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

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

k) Properties held for sale

Properties held for sale are stated at the lower of carrying amount and net realisable value. Carrying amount is the lower of cost less impairment losses and valuation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Impairment of assets

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses to equity securities are not reversed.

— For trade and other current receivables financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. effective interest rate computed at initial recognition of these assets), where the effect of discounting is immaterial.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on the asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognsied in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Impairment of assets *(Continued)*

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);
— leasehold land and land use rights classified as being held under an operating lease;
— deferred product development costs;
— investments in subsidiaries;
— interests in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then , to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Impairment of assets *(Continued)*

ii) Impairment of other assets (Continued)

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale investments and unquoted equity securities carried at costs are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(l)).

o) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

q) Employee benefits

i) Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Employee benefits *(Continued)*

iii) Employment Ordinance long service payments

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

A provision is recognised in respect of probable future long services payments expected to be made. The provision is based on the best estimate of the probable future payments which has been earned by the employees from their service to the Group to the balance sheet date.

iv) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme operated by the government of the PRC.

v) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 are recognised in the consolidated financial statements. The Group operates equity settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Employee benefits *(Continued)*

v) Share-based employee compensation (Continued)

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding credit to additional paid-in capital, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as additional paid-in capital.

r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

t) Revenue recognition

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

i) *Sale of goods*

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

ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method;

iii) *Sales of listed equity investments*

Trading fees and trading tariff on securities are recognised on a trade date basis;

iv) *Sales of properties*

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Revenue recognition *(Continued)*

v) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

vi) Income from provision of management services

Revenue from maintenance and other services is recognised at the time when the service is performed.

vii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative.

Basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

u) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Group's presentation currency. The functional and presentation currencies of the Company are HK$. The reason for using HK$ as a presentation currency of the Company is that the functional currency of the substantive entities within the Group is HK$.

Foreign currency transactions during the year are translated into HK$ at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into HK$ at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) Translation of foreign currencies *(Continued)*

The results of foreign operations are translated into HK$ at the exchange rates approximately the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into HK$ at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financial expenses.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

Note 2 summarises the significant accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 39) except for HK(IFRIC) 10, Interim financial reporting and impairment, which is effective for annual periods beginning on or after 1 November 2006.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimate of fair value of investment properties

Investment properties were revalued at the balance sheet date on market value existing use basis by an independent firm of qualified professional valuers or determined by the directors of the Company. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

b) Fair value of financial instruments

Financial instruments such as interest rate, foreign exchange and equity derivative instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results. All significant financial valuation models are strictly controlled and regularly recalibrated and vetted.

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

c) Provision for bad and doubtful debts

Note 3 describes that accounts and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate provision for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the receivables are not recoverable.

Management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Company's majority of working capital is devoted to accounts and other receivables. In determining whether provision on accounts and other receivables occurred, the Company takes into consideration the ageing status and the likelihood of collection. Provision for bad and doubtful debts are recognised when they are unlikely to be collected. The measurement of provision requires the Company to estimate the future cash flows expected to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate provision has been made in the financial statements in light of the historical records of the Company and the current economic environment.

d) Recoverability of deferred product development costs

During the year, the management reconsidered the recoverability of its internally and externally-generated intangible asset arising from the Group's product development expenditure, which is included in its consolidated balance sheet at 31 December 2006 at HK$8,387,000 (2005: HK$6,819,000). The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, keen competition has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these products. Cash flow forecasts have been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

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

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

a) The electronic products segment consists of the manufacture and sale of electronic products;

b) The PCBs segment consists of the manufacture and sale of PCBs;

c) The electronic components and parts segment consists of the trading and distribution of electronic components and parts;

d) The listed equity investments segment consists of the trading of listed equity investments;

e) The provision of finance segment consists of the provision of loan financing services; and

f) The optical products segment consists of the manufacture and sale of optical products.

5. SEGMENT INFORMATION *(Continued)*

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

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue																
Sales to eternal customers	**353,721**	386,411	**104,308**	95,777	**—**	—	**56,034**	7,342	**333**	296	**—**	64,045	**—**	—	**514,396**	553,871
Inter-segment sales	**—**	—	**—**	—	**16,860**	20,066	**—**	—	**1,561**	4,439	**—**	—	**(18,421)**	(24,505)	**—**	—
Other revenue	**2,094**	2,795	**5,029**	2,963	**253**	—	**—**	132	**—**	89	**—**	10,832	**(253)**	—	**7,123**	16,811
Total	**355,815**	389,206	**109,337**	98,740	**17,113**	20,066	**56,034**	7,474	**1,894**	4,824	**—**	74,877	**(18,674)**	(24,505)	**521,519**	570,682
Segment results	**4,646**	18,489	**(23,844)**	(19,739)	**97**	(223)	**2,227**	(3,033)	**(5,924)**	(4,032)	**—**	(2,098)	**(1,763)**	(4,469)	**(24,561)**	(15,105)
Interest, dividend income and unallocated gains															**23,946**	9,385
Gain/(Loss) on disposal of properties held for sale															**5**	(143)
Gain on disposal of controlling interest in Swank															**—**	42,244
Gain on disposal of a subsidiary															**557**	—
Gain on disposal of investment properties															**—**	2,715
Reversal of previous revaluation deficits of leasehold buildings, net															**—**	5,270
Write back of over-provision against properties held for sale															**—**	200
Net loss arising from fair value change of investment properties															**(889)**	(490)
Unallocated expenses															**(8,477)**	(4,081)
(Loss)/Profit from operating activities															**(9,419)**	39,995
Impairment loss on a loan receivable															**(1,500)**	(45,000)
Impairment loss on interest in associates															**(5,525)**	—
Share of results of associates															**—**	1,997
Loss before taxation															**(16,444)**	(3,008)
Taxation															**(2,965)**	(1,520)
Loss for the year															**(19,409)**	(4,528)

5. SEGMENT INFORMATION *(Continued)*

a) Business segments *(Continued)*

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment assets	218,067	228,602	82,368	110,409	55	3,909	185,996	40,704	13,913	51,769	—	—	—	(56,676)	500,399	378,717
Interests in associates	—	—	—	—	—	—	—	—	—	—	151,367	156,892	—	—	151,367	156,892
Unallocated assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	440,430	395,254
Total															1,092,196	930,863
Segment liabilities	73,442	44,170	57,661	87,895	2,578	3,875	10	11	112	122	—	—	—	(29,000)	133,201	107,073
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,322	27,594
Total liabilities															137,523	134,667
Other segment information																
Depreciation on property, plant and equipment	10,408	11,986	10,317	9,267	—	—	—	—	—	—	—	3,798	—	—	20,725	25,051
Unallocated amounts															2,296	1,488
															23,021	26,539
Capital expenditure	3,702	3,820	10,048	3,696	—	—	—	—	—	—	—	832	—	—	13,750	8,348
Unallocated amounts															729	1,284
															14,479	9,632
Impairment loss on a loan receivable	—	—	—	—	—	—	—	—	(1,500)	(45,000)	—	—	—	—	(1,500)	(45,000)
Write-back of overprovision against properties held for sale	—	—	—	—	—	—	—	200	—	—	—	—	—	—	—	200
Impairment loss for accounts receivable	(34)	—	(6,008)	—	—	—	—	—	—	—	—	—	—	—	(6,042)	—
Provision for inventories	—	(650)	—	(540)	—	—	—	—	—	—	—	—	—	—	—	(1,190)
Reversal of previous revaluation deficits of leasehold buildings, net	—	1,530	—	—	—	—	—	—	—	—	—	—	—	—	—	1,530
Unallocated amounts															—	3,740
															—	5,270
Net loss arising from fair value change of investment properties															(889)	(490)
Unallocated amounts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

5. SEGMENT INFORMATION *(Continued)*

b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Europe		North America		Hong Kong		Japan		Others		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue:												
Sales to external customers	**34,147**	51,357	**103,186**	130,442	**179,952**	146,836	**175,908**	196,340	**21,203**	28,896	**514,396**	553,871

	Hong Kong		Mainland China		Others		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Other segment information:								
Segment assets	**754,480**	532,496	**164,980**	197,662	**21,369**	43,813	**940,829**	773,971
Interests in associates	**—**	—	**—**	—	**151,367**	156,892	**151,367**	156,892
							1,092,196	930,863
Capital expenditure	**941**	1,945	**11,401**	5,787	**2,137**	1,900	**14,479**	9,632

6. TURNOVER

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sales of listed equity investments and the interest income from the provision of loan financing.

Revenue from the following activities has been included in turnover:

	2006	2005
	HK$'000	HK$'000
Manufacture and sale of electronic products	**353,721**	386,411
Manufacture and sale of PCBs	**104,308**	95,777
Trading of listed equity investments	**56,034**	7,342
Provision of loan financing	**333**	296
Manufacture and sale of optical products	**—**	64,045
	514,396	553,871

7. OTHER REVENUE

	2006	2005
	HK$'000	HK$'000
Bank interest income	**21,383**	9,025
Gain on deregistration of subsidiaries	**—**	2,973
Dividends income from listed investments	**288**	106
Sales of obsolete inventories	**78**	558
Management fee received	**—**	256
Product development income	**2,160**	2,520
Rental income	**144**	137
Sales of raw materials	**1,459**	1,084
Other interests earned	**16**	7,102
Compensation from vendors	**2,598**	308
Others	**2,943**	2,127
	31,069	26,196

8. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting):

	2006	2005
	HK$'000	HK$'000
Cost of inventories	**397,638**	466,424
Depreciation on property, plant and equipment	**23,021**	26,539
Amortisation of leasehold land and land use rights	**250**	252
Amortisation of prepaid rental	**737**	737
Amortisation of deferred product development costs	**1,921**	1,641
Minimum lease payments under operating leases:		
Land and buildings	**5,729**	7,876
Office equipment	**—**	209
Staff costs (including directors' remuneration — note 9):		
Wages and salaries	**80,267**	91,117
Pension contributions	**1,343**	1,443
Less: Forfeited contributions	**—**	—
	1,343	1,443
	81,610	92,560
Auditors' remuneration	**900**	880
Impairment loss for accounts receivable	**6,042**	—
Provision for inventories	**—**	1,190
Loss on disposal of property, plant and equipment	**356**	44
Exchange gain, net	**(1,063)**	(653)
Gain on disposal of financial assets at fair value through profit or loss	**(4,710)**	(72)

The cost of inventories sold includes HK$45,486,000 (2005: HK$62,754,000) relating to direct staff costs, provision against inventories, amortisation of prepaid rental, amortisation of deferred product development costs, operating lease rentals of land and buildings and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

At 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

9. DIRECTORS' REMUNERATION

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

Directors' emoluments

The remuneration of every director for the year ended 31 December 2006 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
Yau Tak Wah, Paul	—	1,997	800	—	90	2,887
Louie Mei Po	—	1,560	—	—	54	1,614
Wong Shin Ling, Irene	—	780	—	—	39	819
Tam Wing Kin	—	819	—	—	37	856
Independent non-executive Director						
Cheung Chung Leung, Richard	150	—	—	—	—	150
Ng Wai Hung	180	—	—	—	—	180
Wu Wang Li	120	—	—	—	—	120
	450	5,156	800	—	220	6,626

9. DIRECTORS' REMUNERATION *(Continued)*

Directors' emoluments *(Continued)*

The remuneration of every director for the year ended 31 December 2005 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Yau Tak Wah, Paul	—	1,847	150	—	90	2,087
Louie Mei Po	—	1,430	150	—	68	1,648
Wong Shin Ling, Irene	—	780	—	—	39	819
Tam Wing Kin	—	819	13	—	42	874
Tam Ping Wah (resigned on 1 June 2005)	—	400	—	—	—	400
Independent non-executive Director						
Cheung Chung Leung, Richard	150	—	—	—	—	150
Ng Wai Hung	180	—	—	—	—	180
Wu Wang Li	120	—	—	—	—	120
	450	5,276	313	—	239	6,278

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: three) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of the remaining three (2005: two) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,116**	1,903
Pension contributions	**121**	73
	3,237	1,976

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2006	2005
	HK$'000	HK$'000
Nil — HK$1,000,000	**—**	1
HK$1,000,001 — HK$1,500,000	**3**	1
	3	2

11. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2006	2005
	HK$'000	HK$'000
Current tax		
Hong Kong		
— Current year provision	**635**	1,602
— Underprovision/(Overprovision) in prior year	**2,507**	(393)
Mainland China	**—**	1,380
	3,142	2,589
Deferred tax (note 31)	**(177)**	(1,069)
Total tax charge for the year	**2,965**	1,520

In accordance with the applicable enterprise income tax law of the PRC, the Group's subsidiaries registered in Mainland China, Dongguan Yifu Circuit Board Factory ("Yifu") and Gaojin Electronics (Shenzhen) Co., Ltd ("Gaojin"), are exempt from income tax for their first two profitable years of operations and are entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years.

The foregoing tax concessions for Yifu and Gaojin have expired. Pursuant to a further tax concession granted to high technology enterprises, the income tax rate applicable to Yifu remained at 15% for 2006 (2005: 15%). Gaojin began its first profitable year as the year ended 31 December 2002 and entitled to the 50% relief on the income tax. The income tax applicable rate to Gaojin is 15% for 2006 (2005: 15%).

11. TAXATION *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Loss before taxation	**(16,444)**	(3,008)
Tax at the statutory tax rate	**2,878**	(526)
Effect of different taxation rates in other countries	**(5,806)**	4,748
Adjustments in respect of current tax of previous years	**—**	(393)
Income not subject to taxation	**(6,275)**	(8,668)
Expenses not deductible for taxation	**6,219**	6,745
Tax losses utilised from previous years	**(561)**	(386)
Tax losses not provided for the current year	**4,034**	—
Others	**2,476**	—
Tax charge at the Group's effective rate	**2,965**	1,520

12. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company for the year ended 31 December 2006 dealt with in the financial statements is HK$13,008,000 (2005: HK$5,501,000).

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the year of HK$16,225,000 (2005: profit of HK$4,779,000) and the weighted average of 165,608,961 (2005 as restated: 93,900,769 to reflect the effect of the open offer, the bonus issue and the share consolidation as stated in note 32.

A diluted (loss)/earnings per share for the year ended 31 December 2006 and 2005 has not been disclosed as no diluting events existing during both years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings		Leasehold improvements		Plant and machinery		Furniture, fixtures & office equipments		Motor vehicles		Construction-in-progress		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cost or valuation														
At 1 January, as previously reported	**34,630**	39,100	**49,834**	49,619	**147,292**	188,242	**25,218**	50,151	**1,326**	3,335	**—**	—	**258,300**	330,447
Effect on adopting HKAS 17	**—**	(8,440)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(8,440)
	34,630	30,660	**49,834**	49,619	**147,292**	188,242	**25,218**	50,151	**1,326**	3,335	**—**	—	**258,300**	322,007
Additions	**—**	—	**414**	1,095	**6,865**	6,306	**1,137**	1,251	**307**	980	**5,756**	—	**14,479**	9,632
Disposals	**—**	—	**(185)**	(880)	**(420)**	(736)	**(484)**	(306)	**—**	(800)	**—**	—	**(1,089)**	(2,722)
Disposals of subsidiaries	**—**	—	**—**	—	**—**	(46,520)	**—**	(25,878)	**—**	(2,189)	**—**	—	**—**	(74,587)
(Surplus)Deficit on revaluation	**(930)**	3,970	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(930)**	3,970
At 31 December	**33,700**	34,630	**50,063**	49,834	**153,737**	147,292	**25,871**	25,218	**1,633**	1,326	**5,756**	—	**270,760**	258,300
Accumulated depreciation														
At 1 January, as previously reported	**—**	—	**28,681**	25,422	**106,528**	105,196	**19,891**	27,802	**24**	2,616	**—**	—	**155,124**	161,036
Effect on adopting HKAS 17	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
	—	—	**28,681**	25,422	**106,528**	105,196	**19,891**	27,802	**24**	2,616	**—**	—	**155,124**	161,036
Provided during the year	**1,637**	1,306	**4,279**	4,139	**14,400**	16,793	**2,239**	3,905	**466**	396	**—**	—	**23,021**	26,539
Disposals	**—**	—	**(52)**	(880)	**—**	(192)	**(400)**	(263)	**—**	(800)	**—**	—	**(452)**	(2,135)
Disposals of subsidiaries	**—**	—	**—**	—	**—**	(15,269)	**—**	(11,554)	**—**	(2,189)	**—**	—	**—**	(29,012)
Write-back on revaluation	**(1,637)**	(1,306)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(1,637)**	(1,306)
At 31 December	**—**	—	**32,908**	28,681	**120,928**	106,528	**21,730**	19,890	**490**	23	**—**	—	**176,056**	155,122
Net book value														
At 31 December	**33,700**	34,630	**17,155**	21,153	**32,809**	40,764	**4,141**	5,328	**1,143**	1,303	**5,756**	—	**94,704**	103,178
An analysis of cost or valuation														
At cost	**—**	—	**50,063**	49,834	**153,737**	147,292	**25,871**	25,218	**1,633**	1,326	**5,756**	—	**237,060**	223,670
At valuation	**33,700**	34,630	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**33,700**	34,630
	33,700	34,630	**50,063**	49,834	**153,737**	147,292	**25,871**	25,218	**1,633**	1,326	**5,756**	—	**270,760**	258,300

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

Company

	Leasehold improvements		Furniture and fixtures		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cost						
At 1 January and 31 December	**13**	13	**144**	144	**157**	157
Accumulated depreciation						
At 1 January	**13**	10	**137**	120	**150**	130
Provided during the year	**—**	3	**7**	17	**7**	20
At 31 December	**13**	13	**144**	137	**157**	150
Net book value						
At 31 December	**—**	—	**—**	7	**—**	7

The Group's leasehold buildings have been revalued on an open market value basis, based on their existing use, by B.I. Appraisals Limited, an independent firm of qualified professional valuers, on 31 December 2006 at HK$33,700,000 (2005: HK$34,630,000). No revaluation surplus (2005: HK$5,270,000) resulting from these valuations have been credited to income statement as a reversal of previous revaluation deficits of leasehold buildings. Revaluation surplus of HK$707,000 (2005: HK$6,000) has credited to the property revaluation reserve.

Had the Group's leasehold buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$23,266,000 (2005: HK$24,903,000).

Certain of the Group's leasehold buildings were pledged to secure banking facilities granted to the Group. The net book value of the pledged assets included in the total amount of property, plant and equipment at 31 December 2006 amounted to HK$12,800,000 (2005: HK$13,830,000).

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2006	2005
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**7,766**	7,955
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,291**	2,352
	10,057	10,307

	2006	2005
	HK$'000	HK$'000
Opening	**10,307**	10,559
Amortisation	**(250)**	(252)
Net book value	**10,057**	10,307

At 31 December 2006, certain of the Group's leasehold land with net book value of HK$7,766,000 (2005: HK$7,955,000) was pledged to secure banking facilities granted to the Group.

16. INVESTMENT PROPERTIES

Group

	2006 HK$'000	2005 HK$'000
At 1 January	**28,750**	93,000
Additions	**17,572**	6,740
Disposal	**(5,241)**	(70,500)
Disposal of a subsidiary	**(21,650)**	—
Net loss arising from fair value change	**(889)**	(490)
At 31 December	**18,542**	28,750

Investment property with fair value of HK$18,542,000 was revalued at its open market value at 31 December 2006 by B.I. Appraisals Limited, an independent firm of qualified professional valuers. The fair values of the Group's other investment properties as at 31 December 2006 have been 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 arrived at by reference to recent market prices for similar properties.

All investment properties are held under long-term lease in Hong Kong.

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**93,316**	93,316
Due from subsidiaries	**393,671**	298,444
Due to subsidiaries	**(9,894)**	(2,772)
	477,093	388,988
Provisions for impairment	**(38,628)**	(38,628)
	438,465	350,360

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the company		Principal activities
			2006	2005	
Active Base Limited	Hong Kong	HK$2	**100%**	100%	Provision of loan financing
Allied Trade Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Allied Success Inc.	The British Virgin Islands	US$10,000	**88%**	88%	Investment holding
Connion Limited	Hong Kong	HK$2	**100%**	100%	Securities investment and property holding
E-Top PCB Limited	Hong Kong	HK$100	**57%**	57%	Trading of printed circuit boards
Eastec Purchasing Limited	The British Virgin Islands/ Japan	US$1	**100%**	100%	Trading of electronic components and parts
Eastec Technology Limited	Hong Kong	HK$2	**100%**	100%	Trading of electronic components and parts
Electronics Tomorrow International Limited	The British Virgin Islands	US$600	**100%**	100%	Investment holding

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the company 2006	2005	Principal activities
Electronics Tomorrow Limited	Hong Kong	HK$500,000	**100%**	100%	Manufacture and sale of electronic products
Electronics Tomorrow Manufactory Inc.	The British Virgin Islands	US$350	**57%**	57%	Investment holding
Fortune Dynamic Group Corporation	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Good Order International Inc.	The British Virgin Islands	US$100	**100%**	100%	Investment holding
Issegon Company Limited	Hong Kong	HK$300,000	**100%**	100%	Investment holding
Master Base Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Fortune Overseas Investment Holdings Limited (Formerly known as "Maxwood Limited")	Hong Kong	HK$2	**100%**	100%	Securities holding
Plentiful Light Limited	The British Virgin Islands/ The PRC	US$100	**57%**	57%	Manufacture of printer circuit boards
Probest Holdings Inc.	The British Virgin Islands	US$1	**100%**	100%	Investment holding

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the company 2006	2005	Principal activities
Dongguan Yifu Circuit Board Factory ("Yifu") (i)	The PRC	HK$87,500,000	**50%**	48%	Manufacture of printed circuit boards
Gaojin Electronics (Shenzhen) Company Limited ("Gaojin") (ii)	The PRC	US$5,000,000	**100%**	100%	Manufacture of electronic products
Electronics Tomorrow Holdings Corporation	The British Virgin Islands	US$100	**100%**	100%	Investment holding
ETL (Macao) Commercial Offshore Limited	Macau	MOP500,000	**100%**	100%	Trading of electronic components and parts
Team Force Corporation	The British Virgin Islands	US$100	**100%**	100%	Investment holding
Electronics Tomorrow Property Holdings Limited	The British Virgin Islands	US$100	**100%**	100%	Investment holding
Account Centre Limited	Hong Kong	HK$2	**100%**	100%	Provision of accountancy services to group companies
Maxson Services Limited	Hong Kong	HK$2	**100%**	100%	Provision of accountancy and management services to group companies

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the company		Principal activities
			2006	2005	
Eastec Property Holdings Limited	Hong Kong	HK$100	**100%**	100%	Provision of loan financing
Art Ray Investments Limited	Hong Kong	HK$1	**100%**	100%	Property holding
Merit Style Development Limited	Hong Kong	HK$1	**100%**	100%	Property holding
兆和(上海)投資諮詢有限公司	The PRC	US$140,000	**100%**	—	Provision of consultancy services

Other than Electronics Tomorrow International Limited, Fortune Dynamic Group Corporation and Master Base Limited, which are held directly by the Company, all subsidiaries are held indirectly by the Company.

(i) Yifu is a Sino-foreign owned joint venture enterprise under the PRC law. In 2005, the Company has the power to cast the majority of votes at meetings of the board of directors of the entity and therefore it was regarded as a subsidiary of the Company.

(ii) Gaojin and 兆和 are registered as wholly foreign owned enterprises under the PRC law.

18. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**—**	—
Share of net assets	**—**	—
Due from associates	**47,716**	47,716
Promissory note	**119,388**	119,388
	167,104	167,104
Provision for impairment	**(15,737)**	(10,212)
	151,367	156,892

18. INTERESTS IN ASSOCIATES *(Continued)*

The amounts due from associates are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

The promissory note receivable from associate is unsecured, except for the guarantee given by Swank, with maturity date on 2 December 2007 and bearing interest at the rate equivalent to 1% over the prevailing Hong Kong prime rate per annum.

The amounts due to associates were unsecured, interest-free and had no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Group		Principal activities
				2006	2005	
Profitown Investment Corporation	Corporate	The British Virgin Islands	US$1,000	**30%**	30%	Investment holding
Shenzhen Henggang Swank Optical Industrial Company Limited ("Henggang")	Joint Venture Enterprise	The PRC	US$30,000,000	**24%**	24%	Manufacture of optical products
Dongguan De Bao Optical Company Limited ("De Bao")	Wholly Foreign Owned Enterprise	The PRC	HK$58,550,910	**15%**	15%	Manufacture of multi-coating lenses
Dongguan Hamwell Glasses Company Limited ("Hamwell")	Joint Venture Enterprise	The PRC	HK$62,504,800	**25%**	25%	Manufacture of optical products
Global Origin Limited	Corporate	Hong Kong	HK$75,000,000	**27%**	27%	Investment holding
Profit Trend International Limited	Corporate	Hong Kong	HK$1,000,000	**15%**	15%	Investment holding
Prowin Commercial & Industrial Limited	Corporate	Hong Kong	HK$2	**30%**	30%	Property holding in the PRC

18. INTERESTS IN ASSOCIATES *(Continued)*

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

(ii) De Bao is registered as a wholly foreign owned enterprise under the PRC Law.

(iii) Henggang and Hamwell are registered as joint venture enterprises under the PRC Law.

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

	2006 **HK$'000**	2005 HK$'000
Total assets	**199,491**	216,822
Total (liabilities)/assets	**220,130**	199,029
Net (liabilities)/assets	**(20,639)**	17,793
Group's share of net (liabilities)/assets of associates	**(6,192)**	5,338
Turnover	**115,641**	82,938
Loss for the year/period	**28,787**	16,766
Group's share of results of associates for the year/period	**8,636**	5,030

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited accounts of associates, both for the year or period and cumulatively, are as follows:

	2006 **HK$'000**	2005 HK$'000
Unrecognised share of results of associates for the year/period	**8,636**	5,030
Accumulated unrecognised share of results of associates	**13,666**	5,030

19. PREPAID RENTAL

	Group	
	2006	2005
	HK$'000	HK$'000
Cost		
At beginning and end of the year	**10,500**	10,500
Accumulated Amortisation		
At beginning of the year	**8,597**	7,860
Amortisation provided during the year	**737**	737
At end of the year	**9,334**	8,597
Net book value		
At end of the year	**1,166**	1,903

The prepaid rental represents the capital contribution made by the joint venture partner of Yifu in the form of a right to use the property owned by the joint venture partner within the terms of the joint venture.

The prepaid rental is amortised on a straight-line basis over the underlying initial term of the joint venture of 15 years.

20. DEFERRED PRODUCT DEVELOPMENT COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Cost		
At beginning of the year	**24,474**	21,875
Additions	**3,489**	2,599
At end of the year	**27,963**	24,474
Accumulated amortisation and impairment		
At beginning of the year	**17,655**	16,014
Amortisation provided during the year	**1,921**	1,641
At end of the year	**19,576**	17,655
Net book value		
At end of the year	**8,387**	6,819

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed securities		
— Listed equity securities in Hong Kong (note (a))	**21,868**	15,620
Unlisted debt security		
— Debt security traded on inactive markets and of private issuers (note (b))	**11,744**	11,744
	33,612	27,364
Market value of listed securities	**21,868**	15,620

(a) Upon completion of disposal of Swank as further detailed in note 41(a) below, the Group will hold approximately 5% of the existing issued shares of Swank and the Group's interest in Swank has been classified as available-for-sale financial asset.

(b) The unlisted debt security has an effective interest rate of 12.5% and mature on 29 April 2010. The unlisted debt securities not publicly traded are secured by the issued capital of the issuer on a pro rata basis, and there is no material 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.

22. LOANS RECEIVABLE

	Group	
	2006	2005
	HK$'000	HK$'000
Secured		
— Moulin Loan (note (a))	**50,000**	50,000
— Others (note (b))	**4,809**	2,000
Unsecured (note (b))	**129**	46
	54,938	52,046
Provision for impairment (note (a))	**(46,500)**	(45,000)
	8,438	7,046
Less: Non-current portion	**(562)**	(1,000)
	7,876	6,046

22. LOANS RECEIVABLE *(Continued)*

(a) On 9 June 2005, Moulin Global Eyecare Holdings Limited ("Moulin"), before it went into liquidation, brought an action ("HCA 1083/2005") in the High Court of Hong Kong against Active Base Limited ("Active Base"), a wholly owned subsidiary of the Company, in respect of a loan agreement dated 24 February 2005 relating to a loan of HK$50 million ("Loan") and a debenture executed by Moulin. Moulin soughs for a declaration that the Loan and the debenture were invalid, unenforceable or otherwise not binding on itself and/or any liquidator. After commencement of HCA 1083/2005, Moulin went into liquidation and the liquidator of Moulin issued a Notice of Adjudication of Proof of Debt to reject Active Base's claims against Moulin as a secured creditor over the assets of Moulin under the said agreement and debenture. Active Base has filed an appeal ("HCCW 470/2005") against such decision and the Court has already given directions for the filing of evidence by the parties. In the circumstances HCA 1083/2005 was discontinued but the subject matters of the dispute there under will now be dealt with under HCCW 470/2005. As at the date hereof, no hearing date has been fixed yet.

However, the directors of the Company have also carefully considered the current progress on the realisation of assets by Moulin's provisional liquidators and the financial position of Moulin as released by Moulin up to the date of this report, and as a result, an additional impairment loss of HK$1,500,000 (2005: HK$ 45,000,000) has been recognised for the year. As at 31 December 2006, accumulated impairment loss of HK$46,500,000 (2005: HK$45,000,000) has been recognised against the Moulin Loan in these financial statements.

(b) The loans receivable bears interest ranging from 3% to 20% per annum (2005: from 3% to 12 % per annum) for the year.

23. PROPERTIES HELD FOR SALE

	Group	
	2006	2005
	HK$'000	HK$'000
At cost	**5,439**	6,333
Provision for impairment	**—**	(133)
	5,439	6,200

The properties held for sale are situated in Hong Kong and are held under medium term leases.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity securities held for trading at fair value	**7,622**	2,465
Unlisted investment in investment fund, at fair value	**5,595**	—
	13,217	2,465
Market value of listed securities	**7,622**	2,465

25. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**27,492**	37,577
Work in progress	**14,241**	17,720
Finished goods	**22,826**	12,243
	64,559	67,540

As at 31 December 2006 and 2005, all inventories are stated at cost.

26. ACCOUNTS RECEIVABLE

The ageing analysis of the Group's accounts receivable is as follows:

	2006		2005	
	HK$'000	**Percentage**	HK$'000	Percentage
Current to three months	**29,817**	**63**	48,196	70
Four to six months	**1,454**	**3**	106	0
Seven months to one year	**848**	**2**	943	1
Over one year	**15,139**	**32**	19,824	29
	47,258	**100**	69,069	100
Provision	**(12,219)**		(6,177)	
Total after provision	**35,039**		62,892	

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 30 to 120 days of issuance, except for certain well established customers. All of the trade and other receivables are expected to be recovered within one year.

The carrying amount of accounts receivable approximates their fair value.

Included in accounts receivable are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	Group	
	2006	2005
	'000	'000
RMB	**323**	2,421
USD	**3,159**	4,936
JPY	**3,745**	2,820

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2005, included in the balance is an amount of HK$ 20 million which represents the balance of the consideration on the disposal of controlling interest in Swank as referred to note 41(a) below. The directors consider that the balance of prepayments, deposits and other receivables approximate their fair value.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**96,591**	65,453	**642**	2,445
Short-term bank deposits	**523,139**	331,322	**360,317**	261,617
	619,730	396,775	**360,959**	264,062

The effective interest rate of short-term bank deposits is ranging from 3.18% to 5.18% per annum (2005: from 3.65% to 4.39% per annum). They have a maturity of 7 days and are eligible for immediate cancellation without receiving any interest for the last deposit period. The directors consider that the carrying amounts of these assets approximate their fair value.

	Group	
	2006	2005
	HK$'000	HK$'000
RMB	**2,121**	4,298
United States Dollars ("USD")	**33,557**	33,381
Euro ("EUR")	**10**	4
Macau Pataca ("MOP")	**42**	27

Other than disclosed above, cash and cash equivalents of approximately HK$356,067,000 (2005: HK$133,943,000) are denominated in HK$.

RMB is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and remittance of these funds out of the PRC is subject to exchange restriction imposed by the Government of PRC.

29. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to three months	**52,751**	46,809
Four to six months	**8,412**	12,189
Seven months to one year	**14,156**	6,629
Over one year	**7,580**	6,031
	82,899	71,658

Accounts payable aged less than four months accounted for 64% (2005: 65%) of the total accounts payable.

The carrying amount of accounts payable approximates their fair value.

Included in accounts payable are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	Group	
	2006	2005
	HK$'000	HK$'000
RMB	**20,194**	17,341
USD	**1,343**	1,022
JPY	**13,425**	5,640

30. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**570**	949	**230**	230
Amount utilised during the year	**—**	(379)	**—**	—
At end of year	**570**	570	**230**	230

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 2(q)(iii) to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

31. DEFERRED TAX LIABILITIES

Group

	Accelerated tax depreciation	
	2006	2005
	HK$'000	HK$'000
At 1 January	**2,053**	3,122
Charge to equity for the year	**—**	—
Credit to income statement for the year	**(177)**	(1,069)
Disposal of a subsidiary	**(557)**	—
At 31 December	**1,319**	2,053

The Group has tax losses arising in Hong Kong of approximately HK$195,171,000 (2005: HK$142,700,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

32. ISSUED CAPITAL

During the year, the movement of share capital of the Company is as follows:

Pursuant to the circular dated 28 April 2006, ordinary resolutions for the open offer, the bonus issue and the share consideration were passed in the special general meeting of the Company held on 30 May 2006. As the open offer became unconditional on 20 June 2006, the number of issued share capital increased from 286,068,644 shares to 899,072,804 shares at HK$0.01 each by issuing 357,585,805 offer shares and 255,418,355 bonus shares. On 21 June 2006, the share consideration became effective, every 4 shares of the Company was consolidated into 1 consolidated share at HK$0.04 each. Then, the number of issued share capital of the Company became 224,768,201 shares at HK$0.04 each.

The movement of the Group's and the Company's share capital is as follows:

	Number of issued shares	HK$'000
As at 1 January 2005 and 1 January 2006, at HK$0.01 each	286,068,644	2,861
Issued of shares at HK$0.01 each by the open offer	357,585,805	3,576
Issued of shares at HK$0.01 each by the bonus issue	255,418,355	2,554
Consolidation of every 4 shares into 1 share	(674,304,603)	—
As at 31 December 2006 at HK$0.04 each	224,768,201	8,991

	Number of shares	HK$'000
Authorised :		
At 1 January 2006, ordinary shares of HK$0.01 each	50,000,000,000	500,000
and at 31 December 2006, ordinary shares of HK$0.04 each	12,500,000,000	500,000
Issued and fully paid :		
At 1 January 2006, at HK$0.01 each	286,068,644	2,861
and at 31 December 2006, at HK$0.04 each	224,768,201	8,991

33. RESERVES

(a) Group

	Attributable to equity holders of the Company											
	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Investment property reserve HK$'000	Fair value reserve for available-for-sale financial assets HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total reserves HK$'000
At 1 January 2005	200,556	1,942	801	283,208	77	–	7,963	–	242,243	736,790	21,136	757,926
– Opening adjustments for the adoption of												
– HKAS 40	–	–	–	–	–	–	(7,963)	–	7,963	–	–	–
– HKFRS 3	–	–	–	–	–	–	–	–	27,030	27,030	254	27,284
As restated	200,556	1,942	801	283,208	77	–	–	–	277,236	763,820	21,390	785,210
Arising from revaluation of leasehold buildings	–	–	–	–	–	6	–	–	–	6	–	6
Increase in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	15,620	–	15,620	–	15,620
Exchange realignment	–	(2,973)	–	–	–	–	–	–	–	(2,973)	–	(2,973)
Net gains and losses not recognised in the income statement	–	(2,973)	–	–	–	6	–	15,620	–	12,653	–	12,653
Profit/(loss) for the year	–	–	–	–	–	–	–	–	4,779	7,779	(9,307)	(4,528)
At 31 December 2005 and 1 January 2006	200,556	(1,031)	801	283,208	77	6	–	15,620	282,015	781,252	12,083	793,335
Arising from revaluation of leasehold buildings	–	–	–	–	–	707	–	–	–	707	–	707
Increase in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	6,248	–	6,248	–	6,248
Exchange realignment	–	(2)	–	–	–	–	–	–	–	(2)	–	(2)
Net gains and losses not recognised in the income statement	200,556	(1,033)	801	283,208	77	713	–	21,868	282,015	788,205	12,083	800,288
Issue of shares	169,853	–	–	–	–	–	–	–	–	169,853	–	169,853
Expenses for issue of shares	(2,496)	–	–	–	–	–	–	–	–	(2,496)	–	(2,496)
Bonus shares	(2,554)	–	–	–	–	–	–	–	–	(2,554)	–	(2,554)
Loss for the year	(2,554)	–	–	–	–	–	–	–	(16,225)	(16,225)	(3,184)	(19,409)
At 31 December 2006	365,359	(1,033)	801	283,208	77	713	–	21,868	265,790	936,783	8,899	945, 682

33. RESERVES *(Continued)*

(a) Group *(Continued)*

Notes:—

i) Share premium

The application of the share premium is governed by Sections 48B of the Hong Kong Companies Ordinance.

ii) Exchange fluctuation reserve

The exchange fluctuation reserve comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in theses foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

iii) Contribution Surplus after 31 December 2000

The contribution surplus of the Company represent the surplus arising from the Group reorganisation in 2003.

33. RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	200,556	77	368,125	36,184	604,942
Profit for the year	—	—	—	5,501	5,501
At 31 December 2005 and at 1 January 2006	200,556	77	368,125	41,685	610,443
Issue of shares	169,853	—	—	—	169,853
Expenses for issue of shares	(2,496)	—	—	—	(2,496)
Bonus shares	(2,554)	—	—	—	(2,554)
Profit for the year	—	—	—	13,008	13,008
At 31 December 2006	365,359	77	368,125	54,693	788,254

The contribution surplus of the Company represents the excess of the fair value of the shares in relation to the shares of the subsidiaries acquired pursuant to the Group's reorganization at the time of the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefore. The contribution surplus of the Company represents the surplus arising from the group reorganisation in 2003.

At 31 December 2006, the aggregate amount of reserve available for distribution to equity holders of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), was HK$422,818,000 (2005: HK$409,810,000). In addition, the Company's share premium account, in the amount of HK$365,359,000 may be distributed in the form of fully paid bonus shares.

34. SHARE OPTION SCHEME

The company operates a share option scheme (the "Tomorrow Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Tomorrow Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder of the Company's subsidiaries. The Tomorrow Scheme became effective on 29 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

34. SHARE OPTION SCHEME *(Continued)*

The maximum number of unexercised share options currently permitted to be granted under the Tomorrow Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the company in issue at the time of approving the Tomorrow Scheme. The maximum number of shares issuable under share options to each eligible participant in the Tomorrow Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the company, or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Tomorrow Scheme at any time during a period not exceeding five years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

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

No share options have been granted during the year and no share options outstanding as at the balance sheet date.

35. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately.

The Company's subsidiary established in the PRC participates in a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to the consolidated income statement as they become payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

35. RETIREMENT BENEFITS SCHEME *(Continued)*

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate amounts of employer's contributions by the Group in respect of retirement benefits scheme dealt with in the consolidated income statement for the year are disclosed in note 8 to these financial statements.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2006 and 2005 in respect of the retirement of its employees.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Market risk

i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily USD and RMB.

As the estimated foreign currency exposure in respect of committed future sales and purchases and estimated foreign currency exposure in respect of highly probable forecast sales and purchases is not significant, no hedging on foreign currency risk has been carried out during the year under review.

In respect of accounts receivable and payable held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level.

ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

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

b) Credit risk

The Group's credit risks are primarily attributable to time deposits, accounts and other receivables.

The Group's time deposits are deposited with banks of high credit quality in Hong Kong and the Group has exposure limit to any single financial institution.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of accounts and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount.

In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the holding company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bankers to meet its liquidity requirements in the short and longer term.

d) Interest rate risk

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The Group does not expect any changes in interest rate which might materially affect the Group's result of operations.

37. COMMITMENTS

(a) Capital commitments

	Group	
	2006	2005
	HK$'000	HK$'000
Property, plant and equipment		
— Contracted but not provided for	**1,245**	6,075
Deferred product development costs		
— Contracted but not provided for	**—**	583
— Authorised but not contracted for	**—**	—
Commitments to contribute to a subsidiary registered in the PRC	**19,696**	27,958
	20,941	34,616

37. COMMITMENTS *(Continued)*

(b) Operating lease commitments

The Group leases certain of its office properties, factory premises, warehouses and office equipment under operating lease arrangements. Leases for office properties, factory premises and warehouses are negotiated for terms ranging from one to fifteen years, and those office equipment for a term of three years.

The Group and the Company had future minimum lease under non-cancellable operating leases falling committed for due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Within one year	**6,190**	6,144	**1,756**	1,756
In the second to fifth years, inclusive	**19,682**	16,828	**3,371**	3,371
After five years	**20,333**	1,580	**—**	—
	46,205	24,552	**5,127**	5,127
Office equipment:				
Within one year	**—**	89	**—**	—
In the second to fifth years, inclusive	**—**	—	**—**	—
	—	89	**—**	—
	46,205	24,641	**5,127**	5,127

38. CONTINGENT LIABILITIES

	Company	
	2006	2005
	HK$'000	HK$'000
Guarantees of banking facilities granted to subsidiaries	**45,300**	15,300

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new HKFRSs, HKASs and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in the financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new HKFRSs, HKASs and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economics[3]
HK (IFRIC) – INT 8	Scope of HKFRS2[4]
HK (IFRIC) – INT 9	Reassessment of Embedded Derivative[5]
HK (IFRIC) – INT 10	Interim Financial Reporting and Impariment[6]
HK (IFRIC) – INT 11	HKFRS2–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 May 2007.
8 Effective for annual periods beginning on or after 1 January 2008.

40. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following connected and related party transactions:

(i) During 2005, a loan of HK$24,100,000 was granted by a wholly-owned subsidiary of the Group to E-Top PCB Limited ("E-Top"), a 57% owned subsidiary of the Group, for its general working capital. The loan was unsecured, bore interest at the one-month Hong Kong dollar time deposit rate and repayable on demand.

(ii) In addition, the Group had certain banking facilities, with a total limit of HK$15,300,000 (2005: HK$15,300,000), which were used by a wholly-owned subsidiary of the Group. These banking facilities were secured by corporate guarantees executed by E-Top and Plentiful, both of which are 57% owned subsidiaries of the Group, and certain wholly-owned subsidiaries of the Group, and certain leasehold buildings of the Group (note 14), and certain leasehold land of the Group (note 15).

(iii) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2006** **HK$'000**	2005 HK$'000
Sales of products to associates	a	—	3,746
Purchases of products from associates	b	—	6,327
Management fee income from associates	c	—	256

40. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

a. The sale to the associates were made according to the published prices, terms and conditions offered to the major third party customers of the Group.

b. The purchases from the associates were made according to the published prices, terms and conditions offered by the associates to their major third party customers.

c. The management fee income was charged according to the management's estimation on costs of office premises and utilities used by the associates.

41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of controlling interest in Swank

	2006	2005
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	—	45,575
Interests in associates	—	31,656
Cash and bank	—	31,226
Time deposits	—	379
Accounts receivable	—	43,916
Prepayment, deposits and other receivables	—	5,060
Inventories	—	27,222
Accounts payable	—	(20,363)
Amounts due to associates	—	(2,904)
Other payables and accruals	—	(9,914)
Tax payable	—	(850)
Provision for long service payments	—	(379)
Amount due to a shareholder	—	(47,716)
Promissory note payable	—	(102,073)
	—	835
Gain on disposal	—	42,244
Total consideration	—	43,079
Satisfied by:		
Cash received	—	23,079
Other receivable (note 27)	—	20,000
	—	43,079

41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Disposal of controlling interest in Swank *(Continued)*

An analysis of net outflow of cash and cash equivalents in respect of the disposal of controlling interest in Swank is as follows:

	2006	2005
	HK$'000	HK$'000
Cash consideration	—	23,079
Cash and bank balance disposed	—	(31,226)
Time deposits disposed	—	(379)
Net cash outflow	—	(8,526)

(1) On 20 January 2005, Probest Holdings Inc ("Probest") which is a wholly-owned subsidiary of the Company, amongst the others, entered into a conditional sale and purchase agreement (as amended by the supplemental agreement dated 13 April 2005) ("Swank Disposal Agreement") with an independent third party, China Time Investment Holdings Limited ("China Time"), pursuant to which Probest disposed of 1,437,396,440 issued shares of the Swank International Manufacturing Company Limited ("Swank"), representing approximately 46% of the existing issued share capital of Swank at the consideration of HK$42,121,893 which are to be received by two instalments as follows:

(i) as to HK$23,121,893 within six months of completion; and

(ii) as to HK$20,000,000 on the anniversary of Completion.

The Swank Disposal Agreement was completed on 3 June 2005.

(2) Upon completion of the Swank Disposal Agreement on 3 June 2005, Profitwon issued and delivered a new Promissory Note of HK$ 112,285,435 to Probest, which is guaranteed by Swank ("Swank Guarantee"). The obligations of Swank under the Swank Guarantee are unsecured and will cease to be effective if the Put Option, as referred to (3) below, is exercised and the transaction contemplated under the Put Option is completed.

41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Disposal of controlling interest in Swank *(Continued)*

(3) On completion of the Swank Disposal Agreement, Swank, Probest and the Company, and Profitown entered into a shareholder agreement to regulate the management of Profitown ("Profitown Shareholders Agreement"). Pursuant to principal terms of the Profitown Shareholders Agreement, Swank will have the right to request Probest or an independent third party procured by Probest to purchase (the "Put Option") all (but not part of only) of its shares, being 70% of all the existing issued shares of Profitown exercisable at any time before the expiry of 30 months from the Completion Date of the Share Disposal Agreement at a price equal to the net tangible asset value of Profitown as at the date of exercise of such put option attributable to such shares and such purchaser will assume all the liabilities due from Swank to any member of the Profitown Group incurred prior to the date of Profitown Shareholders Agreement at nil consideration. If the net tangible asset value of Profitown as determined on the same basis and accounting policies adopted by Profitown in its latest audited accounts shall fall below zero during the 30-month period from the Completion Date, Probest will indemnify Profitown on demand for the deficit in the event that such deficit exceeds the outstanding principal amount of the new Promissory Note due to Probest and the interest accrued. The Put Option and such indemnity by Probest will cease and Probest shall have no further obligations in respect thereto if (i) the aggregate shareholding of China Time in the Company falls below 51%; (ii) there is any change to the majority of the board of directors of China Time since the date of and as disclosed in the Share Disposal Agreement; and (iii) Mr. Wang An Kang ceases to be the legal and beneficial owner of at least 75% of shares in China Time.

(4) Upon completion of the Swank Disposal Agreement, the Company and its wholly-owned subsidiary, Probest, executed a deed in favour of China Time ("Tomorrow Group Deed"), pursuant to which, Probest shall indemnify China Time for an amount of HK$56,247,530 upon demand in case Swank ceases to be listed on the Stock Exchange under certain circumstances as detailed in the joint announcement dated 18 April 2005 made by the Company, Swank and China Time.

Upon completion of the above Swank Disposal Agreement and its related loan restructuring agreement, the Group realised a net gain of approximately HK$42 million.

41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of a subsidiary

(1) Details of the disposal of the subsidiary of the Group on 13 February 2006 is as follow:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Merit Team Limited	Hong Kong	HK$2	100%	Property holding

(2) On 13 February 2006, the gain on disposal of the subsidiary of the Group is as follows:

	2006 HK$'000	2005 HK$'000
Investment property	**21,650**	—
Liabilities	**(22,207)**	—
Net liabilities of the subsidiary	**557**	—
Less: Consideration	**0**	—
Gain on disposal of the subsidiary	**557**	—

The purchaser agreed and procured the repayment of HK$21,650,000 liabilities due to the Group of which HK$15,765,000 was repaid before year end.

42. POST BALANCE SHEET EVENTS

To facilitate the introduction of the Pan-China International Holdings Limited ("Pan-China") as the strategic investor of the Company, Winspark Venture Limited ("Winspark") entered into a sale and purchase agreement with Pan-China on 22 September 2006 (the "Sale and Purchase Agreement") pursuant to which Winspark has agreed to sell 33,700,000 shares of the Company to Pan-China at a total consideration of HK$151,650,000 with a deferred payment date on the 300th day from the date of the Sale and Purchase Agreement. On the other hand, the Company entered into a conditional option agreement with Winspark (the "Option Agreement") pursuant to which (1) the Company has agreed to grant to Winspark the first call option under which Winspark has the right but not the obligation to require the Company to issue 33,700,000 shares to Winspark or as it may direct at the subscription price of HK$4.5 (the "First Call Option"); and (2) Winspark has agreed to grant to the Company the second call option under which the Company has the right but not the obligation to require Winspark to subscribe 33,700,000 shares at the subscription price of HK$4.5 (the "Second Call Option"). Upon exercise of either the First Call Option or the Second Call Option, the other call option shall automatically lapse and cease to be of any further effect.

42. POST BALANCE SHEET EVENTS *(Continued)*

However, on 26 February 2007, the Company announced that due to the lapse of the long stop date of the Sales and Purchase Agreement, the Sales and Purchase Agreement has ceased to be of any effect. Accordingly, the Option Agreement was also terminated in accordance with its term. The Company and Winspark were released from their respective obligations under the Option Agreement.

43. COMPARATIVE FIGURES

Certain comparative figures of the Group and the Company have been reclassified to conform to the presentation for the current year.

44. ULTIMATE HOLDING COMPANY

The directors consider Winspark, which is incorporated in the British Virgin Islands, to be its ultimate holding company.