THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wong's Kong King International (Holdings) Limited, you should at once hand this Circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 532)

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION, PROPOSED DISTRIBUTION AND VOLUNTARY WITHDRAWAL OF LISTING

Independent Financial Adviser to the Independent Board Committee

DBS

A letter from the board of directors of Wong's Kong King International (Holdings) Limited is set out on pages 5 to 19 of this Circular. A letter from the Independent Board Committee containing its advice to the Qualifying Shareholders is set out on page 20 of this Circular. A letter from DBS Asia Capital Limited, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee, is set out on pages 21 to 41 of this Circular.

A notice convening a special general meeting ("SGM") of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 28 June 2007 immediately following the conclusion of the Annual General Meeting of the Company held at 2:30 p.m., is set out on pages 127 to 130 of this Circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and to lodge it with the Company at its principal place of business at 23/F., One Kowloon, No.1, Wang Yuen Street, Kowloon Bay, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

4 June 2007

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EXPECTED TIMETABLE

If the conditions applicable to the Proposals are all fulfilled, the following details the expected timetable for implementing the Proposals:

Latest time for lodging transfers of Shares to qualify for attending and voting at the SGM	4:00 p.m. on Friday, 22 June 2007
Register of members closed for determination of Shareholders entitled to attend and vote at the SGM	Monday, 25 June 2007 to Thursday, 28 June 2007 (both dates inclusive)
Latest time for lodging the form of proxy for the SGM *(Note 1)*	2:30 p.m. on Tuesday, 26 June 2007
Suspension of dealings in the Shares	9:30 a.m. on Thursday, 28 June 2007
SGM *(Note 2)*	2:30 p.m. on Thursday, 28 June 2007
Announcement of results of the SGM, conditional declaration of the Proposed Distribution by the Board and the record date for the Proposed Distribution, along with notice of intent to delist	Friday, 29 June 2007
Resumption of dealings in the Shares	9:30 a.m. on Friday, 29 June 2007
Completion of the Transfer *(Notes 3 and 5)*	Friday, 13 July 2007
Last day of dealings in the Shares on the Stock Exchange *(Note 5)*	Friday, 13 July 2007
Latest time for lodging transfers of Shares to qualify for entitlements for the Proposed Distribution *(Note 5)*	4:00 p.m. on Wednesday, 18 July 2007

Record date for the Proposed Distribution *(Notes 4 and 5)* . . . . .4:00 p.m. on Wednesday, 18 July 2007

Last day for despatch of cash payment to the Independent Shareholders *(Note 5)* . . . . .Friday, 27 July 2007

Withdrawal of listing of the Shares on the Stock Exchange effective *(Note 5)* . . . . .9:30 a.m. on Thursday, 2 August 2007

Notes:

1. The form of proxy should be lodged, by hand or by post, with the Company at its principal place of business at 23/F., One Kowloon, No.1, Wang Yuen Street, Kowloon Bay, Hong Kong, as soon as possible and in any event no later than the time and date stated above. Completion and return of the form of proxy for the SGM will not preclude a Shareholder from attending the SGM and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

2. The SGM will be held on Thursday, 28 June 2007 immediately following the conclusion of the Annual General Meeting of the Company held at 2:30 p.m.

3. Assuming the requisite approval is obtained at the SGM, it is the Board's intention to proceed to accept the Offer immediately following the SGM. The Company and the Purchaser would then enter into the Sale and Purchase Agreement as soon as practicable and proceed to completion of the Transfer.

4. The Proposed Distribution will not be made if the Transfer is not completed. There are three business days between (i) the last day of dealings in the Shares on the Stock Exchange and (ii) the record date for the Proposed Distribution, in order to allow sufficient time for clearing and settlement of dealings in the Shares on the last day of trading to enable purchasers of the Shares on the last day of trading to qualify for the Proposed Distribution.

5. The Company will not accept the Offer if the combined resolution in relation to the Proposals is not approved at the SGM. In which case, none of the Transfer, the Capital Reduction, the amendments to the Memorandum, the Proposed Distribution, the Withdrawal Proposal and the Winding-up Proposal will take place.

6. All references in this Circular to times and dates are references to Hong Kong times and dates.

Shareholders and potential investors should be aware that completion of the Transfer and implementation of the Proposed Distribution and the Withdrawal Proposal are subject to the relevant conditions applicable to them as set out in the letter from the Board on pages 5 to 19 of this Circular being fulfilled and thus the Transfer may or may not be completed and the Proposed Distribution and the Withdrawal Proposal may or may not become effective. For this reason, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Shareholders should also note that the above timetable is subject to change.

In this Circular, the following terms and expressions shall (unless the context otherwise requires) have the following meanings:

"Abstaining Shareholders"	the Interested Shareholders, Shanghai Holdings Limited and Bugle Limited;
"Announcement"	the announcement of the Company dated 16 April 2007 in respect of the Proposals;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Bermuda Companies Act"	the Companies Act 1981 of Bermuda as amended from time to time;
"Board"	the board of Directors;
"Bye-Laws"	the bye-laws of the Company;
"Capital Reduction"	the reduction of (i) the nominal value of the Shares from HK$0.10 per share to HK$0.0001 per Share and (ii) the share premium account to zero;
"Circular"	this circular issued by the Company to the Shareholders containing, amongst other things, further details of the Proposals;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Participant"	the person(s) admitted by HKSCC as a Participant (as defined in the General Rules of CCASS, as amended, issued by HKSCC);
"Company"	Wong's Kong King International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Transfer in accordance with the Offer Letter and the Sale and Purchase Agreement;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	an aggregate amount of HK$1,169,698,141, comprising the Promissory Note in the amount of HK$786,484,806 and cash in the amount of HK$383,213,335, being the aggregate consideration payable by the Purchaser for the Transfer;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;

"DBS Asia Capital"	DBS Asia Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Proposals. DBS Asia Capital is a licensed corporation under the SFO to conduct Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities) and Type 6 regulated activity (advising on corporate finance);
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HIBOR"	Hong Kong Interbank Offered Rate for deposits of Hong Kong dollars;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent committee of the Board comprising Mr. Peter Lee Chung Yin, Mr. John Ho and Mr. Philip Tse Wan Chung established for the purpose of advising the Qualifying Shareholders in relation to the Proposals;
"Independent Shareholders"	Shareholders other than the Interested Shareholders;
"Interested Shareholders"	Mr. Senta Wong, Rewarding Limited, Wonder Luck International Limited, Ms. Wong Wu Lai Ming, Ms. Ava Wong, Ms. Orangeo Wendy Wong, Mr. Wong Chung Yin, Ms. Woo Sin Ming, Levy Investment Ltd., Pacific Way Limited, Floral Inc., Ms. Luk Kit Ching, Ms. Wong Vivian Yin Wing, Kong King International Ltd., Mrs. Chung Chui Everitt and Sycamore Assets Limited;
"Last Trading Date"	the estimated last day of dealings in the Shares on the Stock Exchange if the requisite conditions to the Withdrawal Proposal are fulfilled, being Friday, 13 July 2007;
"Latest Practicable Date"	29 May 2007, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Memorandum"	the memorandum of association of the Company;

"Offer"	the offer from the Purchaser to purchase the Target Assets on the terms of the Offer Letter (as supplemented by the Supplemental Offer Letter);
"Offer Letter"	a letter dated 11 April 2007 from the Purchaser to the Company in respect of the Transfer (and where the context requires, including the revised terms as set out in the Supplemental Offer Letter);
"Option"	an option to subscribe for one Share, granted pursuant to the share option scheme of the Company adopted at the annual general meeting of the Company on 30 May 2005;
"OEM"	original equipment manufacturer;
"Purchaser"	Twopac Limited, a company incorporated in the British Virgin Islands and in which Mr. Senta Wong has a controlling interest;
"PRC"	the People's Republic of China;
"Promissory Note"	a promissory note in the amount of HK$786,484,806 to be issued by the Purchaser to the Company as part of the Consideration for the Transfer in accordance with the Offer Letter;
"Proposals"	the proposals in relation to the acceptance of the Offer, the Transfer, the Capital Reduction, the amendments to the Memorandum, the Proposed Distribution, the Withdrawal Proposal and the Winding-up Proposal;
"Proposed Distribution"	the proposed distribution by the Company of all of the proceeds of the Transfer as detailed in paragraph 4 of the letter from the Board contained in this Circular;
"Qualifying Shareholders"	Shareholders other than the Abstaining Shareholders;
"Remaining Group"	The Group excluding the Target Assets;
"Required Voting Standard"	the approval (by way of poll) by Qualifying Shareholders representing at least 75% of the votes attaching to the Shares held by Qualifying Shareholders voting either in person or by proxy at the SGM in respect of the resolution relating to the relevant proposal, provided that the number of votes cast against the resolution for the relevant proposal at the SGM is not more than 10% of the votes attaching to the Shares held by Qualifying Shareholders permitted to vote in person or by proxy at the SGM in respect of the resolution relating to the relevant proposal;

"Sale and Purchase Agreement"	the conditional sale and purchase agreement between the Purchaser and the Company in relation to the sale and purchase of the Target Assets to be entered into after the SGM if the Transfer is approved by the Qualifying Shareholders at the SGM and the Board accepts the Offer;
"SFC"	the Securities and Futures Commission;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"SGM"	the special general meeting of the Company to be convened and held to consider and approve the Proposals;
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Offer Letter"	a further letter dated 12 April 2007 from the Purchaser to the Company revising the terms of the Offer;
"Target Assets"	substantially all the operating businesses and assets of the Group;
"Transfer"	the sale by the Company and the purchase by the Purchaser of the Target Assets in accordance with the terms of the Offer Letter;
"Winding-up Proposal"	the proposal to wind-up the Company and its remaining subsidiaries (conditional upon the completion of the Transfer, the Proposed Distribution and the Withdrawal Proposal) as detailed in paragraph 8 of the letter from the Board contained in this Circular; and
"Withdrawal Proposal"	the proposal to withdraw the listing of the Shares on the Stock Exchange as detailed in paragraph 7 of the letter from the Board contained in this Circular.

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 532)

Directors:
Wong, Senta
Lee Chung Yin, Peter*
Tsui Ying Chun, Edward
Ho Shu Chan, Byron
Kwong Man Hang, Bengie
Hamed Hassan, EL-ABD
Ho, John*
Tse Wan Chung, Philip*
Gene Howard Weiner*

** Independent Non-executive Director*

Registered Office:
Clarendon House,
Church Street,
Hamilton HM11,
Bermuda

Principal Office:
23/F., One Kowloon
No.1 Wang Yuen Street
Kowloon Bay,
Kowloon,
Hong Kong

4 June 2007

To the Shareholders and holders of the Options of the Company

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION, PROPOSED DISTRIBUTION AND VOLUNTARY WITHDRAWAL OF LISTING

1 INTRODUCTION

On 11 April 2007, the Company received an offer letter from the Purchaser offering to purchase substantially all the operating businesses and assets of the Group for a consideration of HK$1,169,698,141.

If the Offer is accepted by the Company, the Board proposes to declare a distribution in favour of the Shareholders of the entire amount of the sale proceeds received as a result of completing the Transfer. This will result in the Independent Shareholders receiving HK$1.65 per Share in cash pursuant to the Proposed Distribution.

Following completion of the Transfer and the Proposed Distribution, the Board proposes that the listing of the Shares on the Stock Exchange be withdrawn and the Company be voluntarily wound up.

The purpose of this Circular is to provide Shareholders with further details of Proposals and to convene the SGM at which a combined resolution will be proposed to consider and, if thought fit, approve the Proposals. The notice convening the SGM is set out on pages 127 to 130 of this Circular. This Circular also sets out:

(a) on page 20, a separate letter containing the recommendation from the Independent Board Committee to the Qualifying Shareholders as to whether the terms of the Proposals are fair and reasonable and whether it is in the interests of the Company and its shareholders as a whole to accept the Offer and implement the Proposals, and advising the Qualifying Shareholders how to vote at the SGM; and

(b) on pages 21 to 41, a separate letter from DBS Asia Capital, containing its advice to the Independent Board Committee as to whether the terms of the Proposals are fair and reasonable and whether it is in the interests of the Company and its shareholders as a whole to accept the Offer and implement the Proposals.

The attention of the Qualifying Shareholders is specifically drawn to those letters of advice.

2 TERMS OF THE OFFER AND THE TRANSFER

2.1 Parties

(a) Vendor: the Company

(b) Purchaser: Twopac Limited

2.2 Consideration

The Consideration for the Transfer offered by the Purchaser under the Offer Letter amounts to HK$1,169,698,141 to be settled partly in cash as to HK$383,213,335 and partly by the issue of the Promissory Note in the principal amount of HK$786,484,806 by the Purchaser to the Company.

The Promissory Note will be repayable on demand made by not less than 1 month's prior written notice at any time after 3 months from the date of issue of the Promissory Note, which will be on the date of completion of the Transfer. The Promissory Note will be non-interest bearing for the first 6 months after the date of issue, and will thereafter bear interest on the basis of quarterly interest periods at the rate which is equal to 3-months HIBOR plus 1% prevailing at or around the commencement of the relevant interest period. At the discretion of the Company, the Promissory Note is transferable and divisible in principal amounts in any denominations.

2.3 **Definitive Documentation**

The Offer Letter contemplates that, if the Offer is accepted by the Company, detailed transaction documents will be entered into setting out the detailed terms of the Transfer (which will include customary representations and warranties, the transaction timetable and proposed date of completion of the Transfer) to be agreed between the Purchaser and the Company, with each acting reasonably having regard to all relevant circumstances. The forms of the detailed transaction documents will be agreed between the Purchaser and the Company (material terms of which are set out in paragraph 2.6 of the letter from the Board contained in this Circular), and will only be entered into after the SGM and assuming that the Transfer has been approved by the Shareholders at the SGM (in compliance with the Required Voting Standard). If the form of the transaction documents cannot be agreed, the Purchaser has agreed to purchase the Target Assets on the terms and conditions as set out in the Offer Letter upon acceptance of the Offer by the Company.

2.4 **Conditions Precedent**

The Offer Letter contemplates that completion of the Transfer will be conditional upon the fulfillment or waiver, as applicable, of the following conditions:

(a) Obtaining by the Purchaser of an irrevocable offer of loan facilities from its financier to complete the Transfer.

(b) Obtaining of all necessary approvals (including but not limited to shareholders' approval) in relation to the Transfer as required under the Listing Rules.

(c) Obtaining of all third party consents which are required for the Transfer.

(d) There being no material adverse change in the finance, business or prospects of the Group between signing and completion of the Transfer.

After receiving the Offer Letter, the Board informed the Purchaser of its intention to, inter alia, make the Proposed Distribution in favour of the Shareholders, withdraw the listing of the Shares on the Stock Exchange and wind-up the Company. The Purchaser agreed with the Board's proposal and revised the terms of the Offer so that it is a condition precedent to completion of the Transfer that the Proposals be approved by Shareholders by way of a special resolution and in compliance with the Required Voting Standard. The revised terms are set out in the Supplemental Offer Letter dated 12 April 2007.

The Offer Letter originally contemplated that completion of the Transfer would be conditional upon an internal group reorganization being implemented so that the Target Assets would be injected into a special purpose vehicle and the Transfer would be effected through the acquisition of the entire issued share capital of such special purpose vehicle. On 22 May 2007, the Board received a letter from the Purchaser confirming that they have waived this condition.

2.5 Expiry of Offer

The Offer will remain open for acceptance at any time up to 1 July 2007. The Purchaser also agreed not to withdraw or vary the terms of the Offer in any way prior to that date.

2.6 Material Terms of the Sale and Purchase Agreement

If the Proposals are approved by the Qualifying Shareholders at the SGM and the Offer is accepted by the Company, a detailed Sale and Purchase Agreement would be entered into by the Company and the Purchaser as soon as is practicable after the SGM and substantially in the terms described below:

(a) The Purchaser would conditionally agree to purchase and the Company would conditionally agree to sell the Target Assets. It is currently expected that following completion of the Sale and Purchase Agreement, all the operating businesses and assets of the Group will be transferred to the Purchaser or its nominee(s) save for approximately HK$71,000 which will be retained by the Company to settle the costs for the winding up.

(b) The Consideration would be paid under the Sale and Purchase Agreement by the Purchaser on completion of the Sale and Purchase Agreement.

(c) Completion of the Transfer under the Sale and Purchase Agreement would be subject to the conditions precedent described above having been completed and there being no material breach of the representations and warranties set out in the Sale and Purchase Agreement prior to Completion.

(d) Subject to the conditions precedent referred to above having been fulfilled or waived by the Purchaser, completion of the Transfer under the Sale and Purchase Agreement would take place on a date to be agreed by the parties.

(e) The costs and expenses relating to the Transfer will be solely borne by the Purchaser.

3 THE PURCHASER AND THE INTERESTED SHAREHOLDERS

The Purchaser was incorporated in the British Virgin Islands with limited liability on 18 January 2007. The Purchaser was established for the sole purpose of making the Offer to the Company and has no other business activities.

The Interested Shareholders own the entire issued share capital of the Purchaser. Mr. Senta Wong is the ultimate beneficial owner of approximately 79.43% of the issued shares of the Purchaser. The remaining 20.57% of the issued shares of the Purchaser are owned by other Interested Shareholders.

As at the Latest Practicable Date, there were 708,795,964 Shares in issue, of which the Interested Shareholders were interested in 476,657,458 Shares (representing approximately 67.2% of the issued share capital of the Company), and the Independent Shareholders were interested in 232,138,506 Shares (representing approximately 32.8% of the issued share capital of the Company).

The Interested Shareholders comprise Mr. Senta Wong, Rewarding Limited (note 1), Wonder Luck International Limited (note 2), Ms. Wong Wu Lai Ming (note 3), Ms. Ava Wong (note 4), Ms. Orangeo Wendy Wong (note 4), Mr. Wong Chung Yin (note 5), Ms. Woo Sin Ming (note 5), Levy Investment Ltd. (note *6)*, Pacific Way Limited *(note 6)*, Floral Inc. *(note 7)*, Ms. Luk Kit Ching *(note 8)*, Ms. Wong Vivian Yin Wing *(note 8)*, Kong King International Ltd. *(note 9)*, Mrs. Chung Chui Everitt *(note 10)* and Sycamore Assets Limited *(note 10)*.

Notes:

1. Rewarding Limited is a wholly owned subsidiary of Greatfamily Inc., which is owned by a discretionary trust established for the benefit of the family of Mr. Senta Wong.

2. Wonder Luck International Limited is a wholly owned subsidiary of Senta Wong (BVI) Limited, which is 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Ms. Wong Wu Lai Ming.

3. Ms. Wong Wu Lai Ming is the wife of Mr. Senta Wong.

4. Ms. Ava Wong and Ms. Orangeo Wendy Wong are the daughters of Mr. Senta Wong.

5. Mr. Wong Chung Yin is the brother of Mr. Senta Wong. Ms. Woo Sin Ming is the wife of Mr. Wong Chung Yin.

6. Levy Investment Ltd. and Pacific Way Limited are ultimately owned by discretionary trusts established for the benefit of the family of Mr. Wong Chung Yin.

7. Floral Inc is, a company owned by a discretionary trust established for the benefit of Ms. Wong Chung Yan Claudia, sister of Mr. Senta Wong.

8. Mr. Johnny Wong Chung Ah is the brother of Mr. Senta Wong. Ms. Luk Kit Ching is the wife of Mr. Johnny Wong Chung Ah and Ms. Wong Vivian Yin Wing is the daughter of Mr. Johnny Wong Chung Ah.

9. Kong King International Ltd. is a company ultimately owned by a discretionary trust established for the benefit of the family of Mr. Johnny Wong Chung Ah.

10. Mrs. Chung Chui Everitt is the sister of Mr. Senta Wong. Sycamore Assets Limited is ultimately owned by a discretionary trust established for the benefit of the family of Mrs. Chung Chui Everitt.

4 PROPOSED DISTRIBUTION

If the Offer is accepted by the Company, the Board proposes to declare a distribution in favour of the Shareholders of the entire amount of the sale proceeds received as a result of completing the Transfer. Pursuant to the Proposed Distribution:

(a) The Promissory Note in the principal amount of HK$786,484,806 will be distributed to the Interested Shareholders. The amount of the Promissory Note proposed to be distributed to the Interested Shareholders is equivalent to 67.2% of the total amount of the Proposed Distribution. Based on the existing number of shares held by the Interested Shareholders, this will result in the Interested Shareholders receiving Promissory Notes bearing principal amounts in the proportion of HK$1.65 per Share pursuant to the Proposed Distribution.

(b) An amount of HK$383,213,335 in cash will be distributed to the Independent Shareholders. The amount of cash proposed to be distributed to the Independent Shareholders is equivalent to 32.8% of the total amount of the Proposed Distribution. Based on the existing number of shares held by the Independent Shareholders and assuming full exercise of the 112,000 Options vested as at the Latest Practicable Date, this will result in the Independent Shareholders receiving HK$1.65 per Share in cash pursuant to the Proposed Distribution.

The proposed distribution of a cash amount representing HK$1.65 per Share to the Independent Shareholders represents:

(a) a premium of approximately 25.0% over the closing price of HK$1.32 per Share as quoted on the Stock Exchange on 16 March 2007 (being the last trading day prior to the suspension of trading in the Shares pending the issue of the Announcement);

(b) a premium of approximately 25.0% over the average closing price of about HK$1.32 per Share based on the daily closing prices as quoted on the Stock Exchange over the 10 trading days up to and including 16 March 2007;

(c) a premium of approximately 26.9% over the average closing price of about HK$1.30 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including 16 March 2007;

(d) a premium of approximately 35.2% over the average closing price of about HK$1.22 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 16 March 2007;

(e) a premium of approximately 38.7% over the average closing price of about HK$1.19 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including 16 March 2007;

(f) a premium of approximately 1.9% over the closing price of HK$1.62 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(g) a premium of approximately 10% to the audited consolidated net asset value per Share of about HK$1.50 as at 31 December 2006.

The Proposed Distribution is conditional upon the fulfillment of the following conditions:

(a) acceptance of the Offer and completion of the Transfer having occurred; and

(b) the approval of the Proposals by Shareholders by way of a special resolution and in compliance with the Required Voting Standard.

5 CAPITAL REDUCTION

To facilitate the Proposed Distribution, the Board will seek the approval of Shareholders at the SGM (applying the Required Voting Standard) to reduce the share capital and the share premium account of the Company and to transfer the credit so arising to the contributed surplus account of the Company.

The minimum subscribed share capital of the Company will also be reduced from HK$100,000 to HK$100.

The Capital Reduction will involve:

(a) the reduction of the nominal value of each Share from HK$0.10 to HK$0.0001 by the cancellation of HK$0.0999 from the paid-up capital on each Share;

(b) the existing authorised share capital of the Company of HK$100,000,000, divided into 1,000,000,000 Shares of HK$0.10 each will be reduced to HK$100,000, divided into 1,000,000,000 new shares of HK$0.0001 each;

(c) the reduction of the share premium account of the Company to zero. As at the Latest Practicable Date, there was approximately HK$75,508,254 in the share premium account. If all of the 112,000 Options vested as at the Latest Practicable Date are exercised in full, there will be approximately HK$75,563,134 in the share premium account; and

(d) the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company.

The Capital Reduction itself will have no effect upon the amount of the consolidated net tangible asset value of the Company.

The Capital Reduction is conditional upon the fulfillment of the following conditions:

(a) acceptance of the Offer and completion of the Transfer having occurred; and

(b) the approval of the Proposals by Shareholders by way of a special resolution and in compliance with the Required Voting Standard.

The Capital Reduction also requires compliance with section 46 of the Bermuda Companies Act, including the publication of a notice of reduction of capital in an appointed newspaper in Bermuda and the filing of a memorandum of reduction of capital with the Registrar of Companies in Bermuda.

6 CHANGES TO THE MEMORANDUM

To facilitate the Proposed Distribution and the Winding-up Proposal the Board proposes that the Company amend its Memorandum with effect from the withdrawal of the listing of the Shares on the Stock Exchange.

The changes to the Memorandum will (i) reduce the authorised share capital of the Company from HK$100,000,000 divided into 1,000,000,000 Shares of HK$0.10 each to HK$100,000 divided into 1,000,000,000 Shares of HK$0.0001 each and the minimum subscribed share capital of the Company from HK$100,000 to HK$100 and (ii) provide for the Company to be voluntarily wound up 60 days after the Withdrawal Proposal becoming effective.

The detailed changes to the Memorandum are contained in the notice of the SGM.

7 WITHDRAWAL PROPOSAL

Following completion of the Transfer and the Proposed Distribution, the Board proposes that the listing of the Shares on the Stock Exchange be withdrawn and will submit the Withdrawal Proposal to Shareholders for their approval (applying the Required Voting Standard).

Subject to all conditions of the Withdrawal Proposal being fulfilled, the Company will apply to the Stock Exchange to withdraw the listing of the Shares from the Stock Exchange pursuant to Rule 6.12 of the Listing Rules. That application is subject to the Stock Exchange being satisfied with compliance with all applicable Listing Rules requirements including Rule 6.12 of the Listing Rules. In this regard, the Proposed Distribution is considered by the Company to be a "reasonable cash alternative or other reasonable alternative" offered to the Independent Shareholders in compliance with Rule 6.12(4) of the Listing Rules.

The Withdrawal Proposal will become effective and binding on the Company and all Shareholders subject to:

(a) acceptance of the Offer and completion of the Transfer having occurred;

(b) the Proposed Distribution having occurred; and

(c) the approval of the Proposals by Shareholders by way of a special resolution and in compliance with the Required Voting Standard.

8 WINDING-UP PROPOSAL

Following the Proposed Distribution and the withdrawal of the listing of the Shares on the Stock Exchange, the Independent Shareholders will have received an amount of HK$1.65 per Share pursuant to the Proposed Distribution but will remain Shareholders in a public but unlisted company. The Board proposes that the Company and all its remaining subsidiaries (if any, which will be non-operating and negligible in value) be voluntarily wound up and will submit the Winding-up Proposal to Shareholders for their approval.

The Winding-up Proposal will become effective and binding on the Company and all Shareholders subject to:

(a) the approval of the Proposals by Shareholders by way of a special resolution and in compliance with the Required Voting Standard;

(b) acceptance of the Offer and completion of the Transfer having occurred;

(c) the Proposed Distribution having occurred; and

(d) the listing of the Shares on the Stock Exchange having been withdrawn.

Subject to the Winding-up Proposal being approved it is envisaged that the majority shareholders will, by written resolution in accordance with section 77A of the Bermuda Companies Act, appoint a liquidator of the Company. Notice of such resolution and the appointment will be given to Shareholders in accordance with section 77A(1A) of the Bermuda Companies Act.

The winding up of the Company will be deemed to commence 60 days after the listing of the Shares on the Stock Exchange has been withdrawn. No further approval from Shareholders will be required to initiate the winding up of the Company.

Upon the winding up of the Company, all Shareholders will be entitled to participate on a pro rata basis in any assets available for distribution to the Shareholders after any creditors and the costs of the winding up having been paid. However, it is not anticipated that any material assets will remain following the implementation of the Proposals.

9 LISTING RULES IMPLICATIONS

Mr. Senta Wong is the ultimate beneficial owner of approximately 79.43% of the issued shares of the Purchaser. The remaining 20.57% of the issued shares of the Purchaser are owned by other Interested Shareholders. Mr. Senta Wong is also a substantial shareholder and director of the Company and is therefore a connected person of the Company (as defined in the Listing Rules). Accordingly, the Transfer will constitute a connected transaction for the Company.

In addition, the Transfer will result in the percentage ratios as defined in Chapter 14 of the Listing Rules exceeding 75%. Accordingly, the Transfer will also constitute a very substantial disposal for the Company, and is subject to the disclosure, reporting and shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Under Rule 6.12 of the Listing Rules, a listed issuer may not voluntarily withdraw its listing on the Stock Exchange without the permission of the Stock Exchange unless the issuer has obtained the prior approval of its shareholders at a duly convened shareholders' meeting (with any controlling shareholders and their respective associates abstaining from voting in favour). The approval must be given (by way of poll) by at least 75% of the votes attaching to the shares held by holders voting either in person or by proxy at the meeting. The number of votes cast against the resolution must not be more than 10% of the votes attaching to the shares held by holders permitted to vote in person or by proxy at the meeting.

The Capital Reduction, the amendments to the Memorandum and the Winding-up Proposal have to be approved by way of special resolutions.

The SGM is convened to consider, amongst other things, the Proposals. The Stock Exchange has requested the Company to apply the voting standard imposed by Rule 6.12 of the Listing Rules to all Proposals. To comply with Rule 6.12 of the Listing Rules, the Board proposes to submit all Proposals for Shareholders' approval in a combined resolution and will apply the Required Voting Standard to such resolution. Under Rule 6.12 of the Listing Rules, the controlling shareholders of the Company and their respective associates will be required to abstain from voting in favour of the Proposals at the SGM. The following Shareholders will abstain from voting at the SGM in respect of the resolution to be proposed to approve the Proposals:

(a) the Interested Shareholders, who as at the Latest Practicable Date collectively own 476,657,458 Shares representing approximately 67.2% of the issued share capital of the Company;

(b) Shanghai Holdings Limited, a company controlled by the Wong family's trust, who as at the Latest Practicable Date owns 2,870,000 Shares representing approximately 0.40% of the issued share capital of the Company; and

(c) Bugle Limited, a wholly-owned subsidiary of Shanghai Holdings Limited, who as at the Latest Practicable Date owns 5,080,628 Shares representing approximately 0.72% of the issued share capital of the Company.

As far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date:

(i) the Abstaining Shareholders controlled or were entitled to exercise control over the voting rights in respect of their respective Shares;

(ii) (a) there were no voting trusts or other agreements or arrangements or understandings (other than an outright sale) entered into by or binding upon the Abstaining Shareholders, and (b) there were no obligations or entitlements of the Abstaining Shareholders, whereby such persons have or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(iii) there were no discrepancies between the beneficial shareholding interests in the Company of the Abstaining Shareholders and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the SGM.

The Independent Board Committee, comprising Mr. Peter Lee Chung Yin, Mr. John Ho and Mr. Philip Tse Wan Chung, has been established to advise the Qualifying Shareholders in connection with the Proposals. The Company has appointed DBS Asia Capital as the independent financial adviser to advise the Independent Board Committee in connection with the Proposals.

10 BENEFITS OF AND REASONS FOR THE TRANSFER, THE PROPOSED DISTRIBUTION AND THE WITHDRAWAL PROPOSAL

The Consideration proposed under the Offer Letter was arrived at on normal commercial terms having regard to the Purchaser's assessment of the value of the Company's businesses and the recently traded prices of the Company's shares.

The Board has reviewed the terms of the Offer set out in the Offer Letter. After considering all factors including (a) the tough market environment for industrial products and the uncertain outlook for the market, (b) the rising wages for workers in the PRC, (c) the fluctuations in material costs, (d) the limited liquidity of the Company's shares and (e) the premium represented by the Consideration over the existing and historical share price of the Company, the Board is of the view that continuing the Company's existing business is unlikely to create shareholder value in the short or medium term equivalent to that which can now be achieved by accepting the Offer and returning substantially all of the sale proceeds to the Shareholders.

Moreover, the Board is of the view that given the limited liquidity of the Shares, the ability of the Company to raise funds from the equity market is limited in the foreseeable future and the costs associated with the maintenance of the Company's listing on the Stock Exchange is not justified. The average daily trading volume during the period of 180 dealing days prior to the suspension of trading in the Shares on the Stock Exchange on 19 March 2007 was approximately 798,388 Shares, representing only 0.1% of the total issued Shares. Accordingly, the Board is of the view that the Proposals provide an opportunity for all Independent Shareholders to realize their investment in the Company at a premium to the prevailing market price of the Shares.

The Board has established the Independent Board Committee and appointed DBS Asia Capital as the independent financial adviser to the Independent Board Committee in relation to the Proposals. Having considered the letters of advice from the Independent Board Committee and DBS Asia Capital set out in page 20 and 21 to 41 of this Circular, the Board is of the view that the terms of the Proposals are fair and reasonable so far as the Qualifying Shareholders are concerned and it is in the best interests of the Company and its Shareholders as a whole to accept the Offer and implement the Proposals. Accordingly, the Board recommends the Qualifying Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Proposals.

Acceptance of the Offer and implementation of the Proposals would result in the Company disposing of substantially all the operating businesses and assets of the Group and the Company would subsequently be wound up. The Proposals will therefore have a material impact on the earnings, assets and liabilities of the Company (please refer to Appendix II of the Circular for details of such impact). The Board will convene the SGM and ascertain the view of the Qualifying Shareholders before deciding whether or not to accept the Offer. The SGM to be convened will be a general meeting of shareholders convened in accordance with the Bye-laws and the requirements of Chapters 14 and 14A of the Listing Rules and the resolutions to be proposed at the SGM will, if passed, constitute the approvals of the Qualifying Shareholders required under the Listing Rules in order to complete the Transfer and implement the Proposals. The legally binding agreements resulting from acceptance of the Offer (the material terms of which are set out in this Circular) will not be subject to further approval of the Qualifying Shareholders.

Following the payment of the Proposed Distribution and the withdrawal of the listing, the Group will cease conducting business and, as referred to above, it is the Board's intention that the Company and its subsidiaries be voluntarily wound up.

11 PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 70 of the Company, every question submitted to a general meeting shall be determined in the first instance by a show of hands of the members present in person, but a poll may be demanded (before or upon the declaration of the result of the show of hands) by (a) the Chairman; or (b) not less than three members present in person or by proxy having the right to vote at the meeting; or (c) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (d) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. For these purposes, a demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

Under Rule 13.39(2) of the Listing Rules, if the Chairman of the meeting and/or the directors individually or collectively hold proxies in respect of shares holding 5% or more of the total voting rights at a particular meeting, and if on a show of hands a meeting votes in the opposite manner to that instructed in those proxies, the Chairman and/or the directors and the Chairman holding proxies as aforesaid collectively shall demand a poll; provided that if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands, then the directors and/or the Chairman shall not be required to demand a poll.

12 INFORMATION ON THE GROUP

The principal business activities of the Group are the distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for OEM customers. The Group has its headquarters in Hong Kong and its manufacturing operations are located in the PRC.

A summary of the audited consolidated financial results of the Group for each of the two years ended 31 December 2005 and 2006 is set out below:

	For the year ended 31 December	
	2005	**2006**
	HK$'000	*HK$'000*
Turnover	4,641,372	5,011,863
Profit from operations	254,130	391,743
Profit before taxation and minority interests	235,483	339,114
Net profit attributable to shareholders	180,609	250,093

The audited consolidated net assets of the Group as at 31 December 2006 were approximately HK$1,060,244,000 or HK$1.50 per Share. Based on the audited consolidated net assets of the Group as at 31 December 2006, the book value of the Target Assets is expected to be approximately HK$1,060,173,000.

Based on the premium represented by the consideration of the Transfer over the expected book value of the Target Assets, the Transfer, if it proceeds to completion, is expected to result in an estimated gain of approximately HK$109,525,141.

13 INFORMATION ON THE PURCHASER

The Purchaser was incorporated in the British Virgin Islands with limited liability. The Purchaser was established for the sole purpose of making the Offer to the Company and has no other business activities.

14 OVERSEAS SHAREHOLDERS OF THE COMPANY

The making of the Proposed Distribution to persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any overseas Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

15 UNTRACEABLE SHAREHOLDERS

It is proposed that a trustee will be appointed to hold on trust the amount of the Proposed Distribution which would be payable to Shareholders who are untraceable. For this purpose, a Shareholder will be deemed to be untraceable if (i) he has no registered address or, (ii) on the last two consecutive occasions on which a distribution has been paid by the Company a cheque payable to such Shareholder either (a) has been sent to such Shareholder and has been returned undelivered or has not been cashed or, (b) has not been sent to such Shareholder because on an earlier occasion a cheque for a distribution so payable has been returned undelivered, and in any such case no valid claim in respect thereof has been communicated in writing to the Company or (c) this Circular has been sent to such Shareholder and has been returned undelivered. The relevant trustee to be appointed in this regard will hold all monies representing the amount of the Proposed Distribution which would be payable to Shareholders who are untraceable, until the expiration of 6 years after the date on which the Company is wound up. During such time, any persons entitled thereto may claim such monies from the trustee, notwithstanding the winding up of the Company. On the expiration of the period of 6 years, the relevant trustee will transfer the balance of the monies held on trust in respect of which claims have not been made (after deduction of any expenses and costs incurred) to any one or more charitable organisations as the trustee in his absolute and sole discretion considers appropriate. Shareholders who are untraceable shall have no right to obtain payment in respect of the Proposed Distribution thereafter.

16 HOLDERS OF THE OPTIONS

Holders of the Options should note that they are able to exercise their rights (to the extent exercisable pursuant to the share option scheme of the Company adopted at the annual general meeting of the Company on 30 May 2005) to subscribe for new Shares. All Options shall, to the extent not exercised, lapse and expire on the date of commencement of the winding up of the Company.

Holders of the Options should note that the Options which are exercised after the record date for the Proposed Distribution (i.e. 18 July 2007 according to the expected timetable as set out in this Circular) will not be entitled to participate in the Proposed Distribution.

17 GENERAL

Shareholders are advised to read carefully the letter from the Independent Board Committee to the Qualifying Shareholders and the letter from DBS Asia Capital to the Independent Board Committee as contained in this Circular before deciding whether or not to vote for or against the resolution to be proposed at the SGM to approve the Proposals.

Your attention is also drawn to the additional information set out in the appendices to this Circular.

Yours faithfully
For and on behalf of the board of
Wong's Kong King International (Holdings) Limited
Byron Shu-Chan Ho
Director

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 532)

4 June 2007

To the Qualifying Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION, PROPOSED DISTRIBUTION AND VOLUNTARY WITHDRAWAL OF LISTING

We refer to the circular of even date issued by the Company (the "**Circular**") to the shareholders of the Company of which this letter forms part. Terms defined in the Circular shall have the same meaning in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Qualifying Shareholders in respect of the Proposals, details of which are set out in the letter from the Board contained in the Circular.

Having considered the terms of the Proposals and the advice and opinion of DBS Asia Capital as set out on pages 21 to 41 of the Circular, the Independent Board Committee considers that the terms of the Proposals taken as a whole are fair and reasonable so far as the Qualifying Shareholders are concerned and it is in the interests of the Company and the Shareholders as a whole to accept the Offer and implement the Proposals. Accordingly, the Independent Board Committee recommends that the Qualifying Shareholders vote in favour of the resolution to be proposed at the SGM to approve the Proposals.

The Independent Board Committee draws the attention of the Qualifying Shareholders to the letter from the Board and to the letter from DBS Asia Capital, which sets out the considerations and factors taken into account by DBS Asia Capital in arriving at its recommendations to the Independent Board Committee.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Peter Chung-Yin Lee
John Ho
Philip Wan-Chung Tse

The following is the text of a letter of advice from DBS Asia Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and Qualifying Shareholders for the purpose of incorporation into this circular.

DBS

4 June 2007

To the Independent Board Committee and
Qualifying Shareholders of
Wong's Kong King International (Holdings) Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION, PROPOSED DISTRIBUTION AND VOLUNTARY WITHDRAWAL OF LISTING

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Qualifying Shareholders in connection with the Proposals, details of which are set out in the letter from the Board on pages 5 to 19 of the circular dated 4 June 2007 (the "Circular"). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context herein otherwise requires.

On 11 April 2007, the Company received an offer letter from the Purchaser offering to purchase substantially all the operating businesses and assets of the Group for a consideration of HK$1,169,698,141. The Offer Letter originally contemplated that completion of the Transfer would be conditional upon an internal group reorganization be implemented so that the Target Assets would be injected into a special purpose vehicle and the Transfer would be effected through the acquisition of the entire issued share capital of such special purpose vehicle. On 22 May 2007, the Board received a letter from the Purchaser confirming that they have waived this condition. If the Offer is accepted by the Company, the Board proposes to declare a distribution in favour of the Shareholders of the entire amount of the sale proceeds received as a result of completing the Transfer. This will result in the Independent Shareholders receiving HK$1.65 per Share in cash pursuant to the Proposed Distribution. Following completion of the Transfer and the Proposed Distribution, the Board proposes that the listing of the Shares on the Stock Exchange be withdrawn and the Company be voluntarily wound up.

Mr. Senta Wong is the ultimate beneficial owner of approximately 79.43% of the issued shares of the Purchaser. The remaining 20.57% of the issued shares of the Purchaser are owned by other Interested Shareholders. Mr. Senta Wong is also a substantial shareholder and director of the Company and is therefore a connected person of the Company (as defined in the Listing Rules). In addition, the Transfer will result in the percentage ratios as defined in Chapter 14 of the Listing Rules exceeding 75%. Accordingly, the Transfer will constitute a connected transaction and very substantial disposal of the Company, and is subject to the disclosure, reporting and shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Apart from the banking relationships set out below, which we do not consider will either affect our independence in performing our duties under the Listing Rules or give rise to a perception that our independence has been compromised, there are no other business relationships which may affect our independence or may give rise to a perception that our independence has been compromised.

(i) DBS Bank Ltd., Hong Kong branch, a member of the DBS Group, has granted credit facilities to certain subsidiaries of the Company. Further, in the past two years, DBS Bank Ltd., Hong Kong branch has received income, which consisted of fee and commission income (being commission for opening letter of credit, commission in-lieu and facility renewal fee), interest income and income from foreign exchange forward and options, from the aforesaid companies;

(ii) As at the Latest Practicable Date, a director of the Company maintains accounts with DBS Bank (Hong Kong) Limited ("DBS (HK)"), another member of the DBS Group. We also note that certain directors of the Company, the Purchaser and their related parties formerly maintained accounts with DBS (HK); and

(iii) DBS Asia Capital acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the proposed privatisation of Wong's Kong King International (Holdings) Limited by Profit Ascent Limited by way of a scheme of arrangement and withdrawal of listing, for which the relevant circular was dated 25 September 2006.

Apart from normal professional fees payable to us in connection with this appointment (which fees are not subject to nor dependent upon the completion or outcome of the Proposals), no arrangement exists whereby we will receive any other fees or benefits from the Company, the Purchaser or any related parties. DBS Asia Capital is independent of the Company, its Shareholders, Directors, chief executive, and its respective associates. Accordingly, DBS Asia Capital is satisfied that it is qualified to act as the independent financial adviser to the Independent Board Committee and the Qualifying Shareholders in relation to the Proposals pursuant to Rule 13.84(3) of the Listing Rules.

In formulating our advice and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided to us by the Company, Directors and management. We have assumed that all the information, facts, opinions and representations contained or referred in the Circular were true, accurate and complete in all respects at the time they were made and continued to be true, accurate and complete as at the date of this letter. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Company, Directors and management.

We consider that we have reviewed all currently available information and documents, which are available under the present circumstances to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinion. We have not, however, carried out any form of independent investigation into the business, affairs, operations, financial position or future prospects of the Group.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, and there are no other facts, the omission of which would make any statement in the Circular misleading. We have also relied on our discussions with the Directors and members of the management of the Company regarding the information and representation contained in the Circular. We have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Description of the Proposals

On 11 April 2007, the Company received an offer letter from the Purchaser offering to purchase substantially all the operating businesses and assets of the Group for a consideration of HK$1,169,698,141 to be settled partly in cash as to HK$383,213,335 and partly by the issue of the Promissory Note in the principal amount of HK$786,484,806 by the Purchaser to the Company. As stated in the letter from the Board, the Consideration proposed under the Offer Letter was arrived at on normal commercial terms having regard to the Purchaser's assessment of the value of the Company's businesses and the recently traded prices of the Shares. The Offer Letter originally contemplated that completion of the Transfer would be conditional upon an internal group reorganization be implemented by the Company so that the Target Assets would be injected into a special purpose vehicle and the Transfer would be effected through the acquisition by the Purchaser of the entire issued share capital of such special purpose vehicle. On 22 May 2007, the Board received a letter from the Purchaser confirming that they have waived this condition.

If the Offer is accepted by the Company, the Board proposes to declare a distribution in favour of the Shareholders of the entire amount of the sale proceeds received as a result of completing the Transfer. This will result in the Independent Shareholders receiving HK$1.65 per Share in cash pursuant to the Proposed Distribution.

Following completion of the Transfer and the Proposed Distribution, the Board proposes that the listing of the Shares on the Stock Exchange be withdrawn and the Company be voluntarily wound up.

2. Benefits of and reasons for the Transfer, the Proposed Distribution and the Withdrawal Proposal

As stated in the letter from the Board, after considering all factors including (a) the tough market environment for industrial products and the uncertain outlook for the market; (b) the rising wages for workers in the PRC; (c) the fluctuations in material costs; (d) the limited liquidity of the Shares; and (e) the premium represented by the Consideration over the existing and historical share price of the Company, the Board is of the view that continuing the Company's existing business is unlikely to create shareholder value in the short or medium term equivalent to that which can now be achieved by accepting the Offer and returning substantially all of the sale proceeds to the Shareholders.

Moreover, the Board is of the view that given the limited liquidity of the Shares, the ability of the Company to raise funds from the equity market is limited in the foreseeable future and the costs associated with the maintenance of the Company's listing on the Stock Exchange is not justified. Accordingly, the Board is of the view that the Proposals provide an opportunity for all Independent Shareholders to realize their investment in the Company at a premium to the prevailing market price of the Shares.

Regarding the ability of the Company to raise funds from the equity market, in this regard, we noted that the Company has not conducted any fund raising exercises in the past five financial years, save for the issue of new Shares as a result of the exercise of Options by certain employees of the Group.

3. Information about the Group

3.1 *Principal business of the Group*

The principal business activities of the Group are (a) the distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards ("PCB") and electronic products ("Trading Division") and (b) the manufacture of electrical and electronic products for OEM customers ("Manufacturing Division").

3.2 *Financial performance of the Group*

3.2.1 **Analysis of turnover, segmental profitability and earnings per Share**

The following table sets out the Company's turnover breakdown by divisions, net profit and earnings per Share for the five years ended 31 December 2006:

Table 1: Turnover breakdown by divisions

	For the year ended 31 December				
(HK'000)	2002	2003	2004	2005	2006
Trading	1,011,422	1,266,419	2,003,230	1,775,052	2,100,170
% Increase/(decrease)		*25.2%*	*58.2%*	*(11.4%)*	*18.3%*
Manufacturing	1,378,800	1,708,127	2,233,315	2,821,206	2,870,419
% Increase/(decrease)		*23.9%*	*30.7%*	*26.3%*	*1.7%*
Other	15,185	17,425	43,299	45,114	41,274
% Increase/(decrease)		*14.8%*	*148.5%*	*4.2%*	*(8.5%)*
Total turnover	2,405,407	2,991,971	4,279,844	4,641,372	5,011,863
% Increase/(decrease)		*24.4%*	*43.0%*	*8.4%*	*8.0%*
Net profit	27,939	52,380	134,697	199,718	271,397
% Increase/(decrease)		*87.5%*	*157.2%*	*48.3%*	*35.9%*
Earnings per Share[1] (basic) (HK$ cents)	3.24	6.42	17.68	26.07	35.78

Source: Annual reports of the Company

Note 1: Based on weighted average number of ordinary shares

During each of the five years ended 31 December 2006, the Group's turnover growth has experienced fluctuations with an annual growth of approximately 24% and 43% in 2003 and 2004, respectively. However, turnover growth slowed to approximately 8% during both 2005 and 2006. Based on the Company's interim results for the six months ended 30 June 2006, turnover increased by approximately 26% when compared to the same period in 2005. However, the turnover growth on a yearly basis of 8% indicated a negative growth in the second half of 2006.

Turnover from the Trading Division grew by approximately 25% and 58% in 2003 and 2004, respectively. Based on our discussions with the Directors, we understand that margins from the Trading Division also increased in 2003 and 2004. The growth in turnover and improvement in margins during that period was principally due to a rebound in the electronics industry. In addition, the growth in turnover of 2004 was attributable to an increase in contribution from the PRC market. Turnover from the Trading Division decreased by approximately 11% in 2005 and then increased by approximately 18% in 2006.

Turnover from the Manufacturing Division has maintained stable growth of approximately 24%, 31% and 26% in 2003, 2004 and 2005 respectively, but has suffered a decrease in growth to approximately 2% in 2006. The stable growth in turnover during the period from 2003 to 2005 was mainly due to an increase in demand from certain customers for specific products over the period. According to the Directors, the decrease in the growth rate of the turnover from this division in 2006 was due to the decrease in turnover in the second half of the year. Based on our discussions with the Directors, we understand that margins from the Manufacturing Division have also improved in 2005 and 2006. In terms of profitability, the increase in profit contributions from the Manufacturing Division in 2005 and 2006 were due to (i) the offering of value-added production services and of a higher degree of flexibility afforded to the customers in the provision of such services and (ii) adopting a more efficient raw material purchasing and usage policy.

The net profit was approximately HK$28 million, HK$52 million, HK$135 million, HK$200 million and HK$271 million respectively for the five years ended 31 December 2006. Earnings per Share grew from HK$3.24 cents in 2002 to HK$35.78 cents in 2006. The growth rate in the Group's net profit had been declining from approximately 88% and 157% in 2003 and 2004, respectively to approximately 48% and 36% in 2005 and 2006, respectively. Based on our discussions with the Directors, the decrease in profit growth during that period was a direct result of the fluctuation in growth in turnover and operating profits and the booking of an impairment loss of approximately HK$16 million in 2006.

3.2.2 Analysis of valuation of the Group's major property interest

Based on our discussions with and information provided by the Directors, the Company had conducted an independent valuation of its major property interest as at 31 December 2006 ("Valuation Date") and relevant adjustments had already been reflected in the Company's 2006 annual report. Further, the Directors have informed us that there have been no major acquisition or disposal of any properties owned by the Group since the Valuation Date nor are the Directors aware of any events which have or may have any material effect on such valuation of the major property interest. We are not aware of any events which have or may have any material effect on such valuation of the major property interest since the Valuation Date.

3.2.3 **Analysis of dividends**

The following table sets out the dividend-related statistics of the Company for the past five years ended 31 December 2006:

Table 2: Total dividend statistics

For the year ended 31 December	Total dividend per Share *(HK$)*	Earnings per Share *(HK$)*	Dividend payout ratio *(%)*	Closing price as of the last trading day of the year *(HK$)*	Dividend yield *(%)*
2002	0	0.0324	0	0.28	0
2003	0	0.0642	0	0.39	0
2004	0.0300	0.1768	16.97	0.61	4.92
2005	0.0550	0.2607	21.10	0.60	9.17
2006	0.0150	0.3578	4.19	1.07	1.40

Source: Bloomberg, Stock Exchange website, annual reports and interim results announcements of the Company

No dividend was declared by the Company for three years in 2001, 2002 and 2003 respectively. For the year ended 31 December 2004, the Company declared total dividends to Shareholders of HK$0.03 (interim dividend of HK$0.01 and final dividend of HK$0.02). For the year ended 31 December 2005, the Company declared total dividends to Shareholders of HK$0.055 (interim dividend of HK$0.015 and final dividend of HK$0.04). The aggregate bank balances and cash amounted to HK$218,497,000 as at 31 December 2006 (equivalent to HK$0.31 cash per share based on 708,795,964 issued Shares as at the Latest Practicable Date). However, the Company only declared interim dividend of HK$0.015 for the year ended 31 December 2006. The dividend payout ratio dropped from 21.1% in 2005 to 4.19% in 2006. The dividend yield calculated using the last year-end transacted closing price of the Shares also showed a drop from 9.17% in 2005 to 1.40% in 2006.

4. **Business Outlook**

The Trading Division is primarily engaged in the sale and distribution of PCB processing and assembling equipment. The Manufacturing Division is principally engaged in the manufacturing of PCB related semi-finished products and electronic and electrical products, such as servers, Bluetooth module and control board for electronic products for OEM and original design manufacturer customers. While the majority of the Group's products are sold and distributed to customers in the Asian region (such as the PRC, Taiwan and Singapore), it is the understanding of the Directors that most of its customers are exporting their respective end-products outside the region, especially to the United States of America ("US").

As noted in the Chairman's Statement contained in the Company's 2006 annual report, the Directors expect a tougher market environment for Trading Division in 2007 mainly due to the anticipated slowdown of the US economy and increasingly keen competition in the sector. In addition, the Directors expect that the Manufacturing Division will be affected by the increase in labour cost in the PRC and the fluctuations in the costs of raw materials. As stated in the letter from the Board, having considered (a) the tough market environment for industrial products and the uncertain outlook for the market, (b) the rising wages of PRC workers and (c) the fluctuations in material costs and other factors, the Board has formed the view that continuing the Company's existing business is unlikely to create shareholder value in the short to medium term equivalent to that which can now be achieved by accepting the Offer and returning substantially all of the sale proceeds to the Shareholders.

In terms of economic outlook, the US economy is starting to show signs of general slowdown, mainly as a result of the correction in the US housing market, a softening in consumer spending and the increases in interest rate in the past. Standard & Poor's expects a slowdown in the US GDP growth from 3.3% in 2006 to 2.3% in 2007. The Directors expect and believe that the general slowdown in the US economy will have a negative impact on a number of industries or sectors, including the consumer electronic sector, and will thus directly affect the core businesses of the Group.

PCBs are one of the essential components used in most electronic products, and are commonly used in computers, telecommunication devices, consumer electronic and precision instruments. The global PCB industry has been traditionally cyclical in nature, and has experienced several global downturns in recent years. The PCB industry reached a peak in growth during 2000 followed by a significant decline in 2001. The industry did not return to positive growth until the last quarter of 2002. According to Prismark Partners LLC, an independent consulting firm specialized in the electronic industry, the global PCB market in 2007 is expected to grow by 4% year-on-year in terms of production volume, being a new low in growth since 2002. Due to the cyclical nature of the PCB industry and the core business of the Trading Division being the sale and supply of PCB equipment, the Directors are of the view that there is no assurance that the growth and profitability of the business generated from the Trading Division will be sustainable.

With regard to the rise in labour cost, the PRC Labour Law prescribes a minimum wage requirement for workers, which amount may be determined at provincial level. The Guangdong Provincial Government had, in July 2006, issued new regulations in accordance to the "Notification of the Adjustment to the Minimum Wage Level in Guangdong Province" to increase minimum wage levels throughout the province effective from 1 September 2006. As at 31 December 2006, the Group had a total of 6,217 employees, of whom 308 were based in Hong Kong, 5,674 in the PRC and 235 overseas. The new wages requirements in the PRC will therefore increase the labor costs and further impact the profit margins and profitability of the businesses of the Group. In addition, the southern provinces of the PRC have over the past few years been facing a labor shortage. The Directors expect that, if such labour trend continues, it may affect the Group's ability to retain sufficient workers or will result in further increase in labor costs.

In view of the low profit margin of the Group, especially the Manufacturing Division, with net profit margin between the range of 1% to 5% during the last five years ended 31 December 2006, the Directors are of the view that the uncertainties in the labor market may affect the Group's profitability.

In view of the outlook and competitiveness of the sector, the Directors believe the profitability of the Group will depend on (i) the Company's ability to develop and maintain an optimal product mix to maintain its profit margins; (ii) the Company's ability to retain its largest customers so as to secure sizeable production volumes; and (iii) future trends of the sector and the global economic conditions, especially in the US. The Directors expect that both the Trading Division and the Manufacturing Division will face keen competition in the short to medium term. Therefore, there is no assurance that present growth in sales and profitability will continue to be sustainable, especially given the competitive nature of the consumer electronic market.

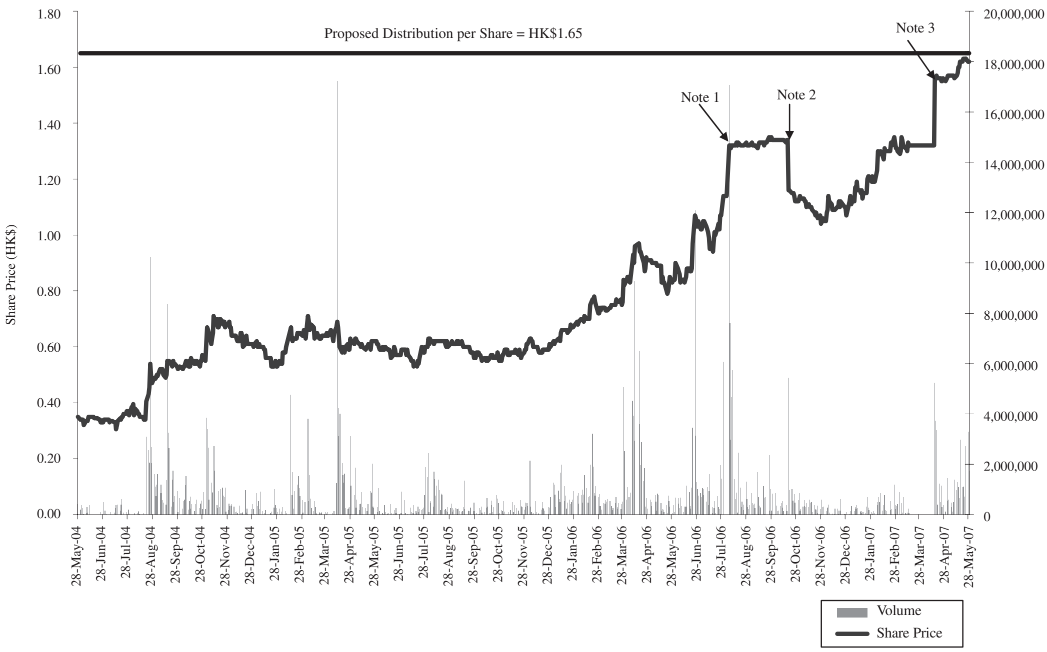
As stated in the section 3.2.1, for the five years under review, the Group achieved growth in turnover and net profit, despite the growth rates have been diminishing. We have noted the Directors' view on the uncertainties of (i) the US economy and the possible effect this may have on the consumer electronic products sector; and (ii) the outlook for the PCB sector. We however also note that there are presently various different opinions on the overall economic outlook for the US economy and consumer spending. Irregardless, we are not aware of any other reasons which will lead us to believe that the demand for electronic products generally from consumers in the US and Asia will experience any significant decrease in the short term. We therefore believe that any possible slowdown in economic growth as expected by the Directors may not necessarily have an immediate adverse impact on the businesses of the Group. At the same time, there is however no assurance that the present growth in sales and profitability will continue to be sustainable.

5. **Proposed Distribution per Share**

5.1 ***Share price performance***

Chart 1 illustrates the movement in the daily closing prices and trading volume of the Shares for the 3 year period prior to the Latest Practicable Date:

Chart 1: Share price performance



Note 1. *7 August 2006, being the first trading day after the announcement of the proposed privatisation of the Company by Profit Ascent Limited by way of a scheme of arrangement at a price of HK$1.38 per scheme share.*

Note 2. *18 October 2006, being the date of announcement in relation to the disapproval of the scheme at the court meeting.*

Note 3. *17 April 2007, being the first trading day after the Announcement.*

Source: Bloomberg

For the 12 months prior to the date of Announcement, the Share prices have to a certain extent been driven by a number of corporate events. On 2 August 2006, the Board was requested to put forward to the Shareholders other than Profit Ascent Limited, a company wholly and beneficially owned by Mr. Senta Wong and parties acting in concert with Profit Ascent Limited, a proposal for the privatisation of the Company by Profit Ascent Limited by way of a scheme of arrangement at a price of HK$1.38 per scheme share. Upon the release of this announcement dated 4 August 2006, the closing Share price increased from HK$1.14 on 31 July 2006 (being the last trading day before the date of the announcement in relation to the proposed privatisation) to HK$1.32 on 7 August 2006 (being the first trading day after the date of the announcement in relation to the proposed privatisation), representing an increase of approximately 15.8%. This increase in Share price reflected the market's response to the proposed privatisation. Following the announcement in relation to disapproval of the scheme at the court meeting on 18 October 2006, the closing Share price dropped from HK$1.34 on 17 October 2006 to HK$1.16 on 19 October 2006, representing a decrease of approximately 13.4%.

We also note that following the Announcement, the closing Share price increased from HK$1.32 on 16 March 2007 (being the last trading day before the date of the Announcement) to HK$1.56 on 17 April 2007 (being the first trading day after the date of the Announcement), representing an increase of 18.2%. In our opinion, we believe that the rise in the Share price, again, reflected the market's response to the Proposals.

We have set out below selected Share price statistics during the 12 months preceding the date of the Announcement up to and including the Latest Practicable Date:

Table 3: Share price statistics

	Closing price/ average closing price *(HK$)*	**Premium of Proposed Distribution per Share over the closing price/ average closing price** *(%)*
Closing price of the last trading day prior to the Announcement (16 March 2007)	1.32	25.0
Highest closing price in the 12-month period prior to the date of the Announcement (7 March 2007)	1.35	22.2
Lowest closing price in the 12-month period prior to the date of the Announcement (28 March 2006)	0.75	120.0
10-day average closing price prior to the date of the Announcement	1.32	25.0
30-day average closing price prior to the date of the Announcement	1.30	26.9
90-day average closing price prior to the date of the Announcement	1.18	39.8
180-day average closing price prior to the date of the Announcement	1.19	38.7
Closing price as of 17 April 2007, being the first trading day of the Shares after the date of the Announcement	1.56	5.8
Highest closing price since the date of the Announcement and up to the Latest Practicable Date	1.63	1.23
Lowest closing price since the date of the Announcement and up to the Latest Practicable Date	1.55	6.45
Closing price as of the Latest Practicable Date	1.62	1.85

Source: Bloomberg and Stock Exchange website

We note that the Proposed Distribution per Share is higher than the highest price that the Shares have traded during the 12-month period prior to the date of the Announcement, representing a 22.2% premium. Incidentally, the Share has never been traded at a price above the Proposed Distribution per Share in the previous 17 years since 1990 (no available information on the Share price before 21 March 1990). Shareholders should note that past trading performance of the Shares should not in any way be relied upon as an indication of its future trading performance and there is no certainty that the rise in Share price will sustain. We believe that in particular the increase in Share price was triggered by positive response to the possibility of a privatisation via the scheme of arrangement in August 2006 and the Proposals. Therefore, there is no assurance that the Company's Share price will be sustainable at current levels if the Proposals are withdrawn or disapproved at the SGM. Therefore, we believe that the Proposals provide an opportunity for all Qualifying Shareholders to realize their investments in the Company at a price above the historical market price of the Shares.

5.2 ***Comparison with the net asset value ("NAV") per Share***

Table 4: Comparison with NAV per Share

	NAV per Share *(HK$)*	**Premium of Proposed Distribution per Share over NAV per Share** *(%)*
Audited NAV per Share as at 31 December 2005	1.20	37.5
Audited NAV per Share as at 31 December 2006	1.50	10.0

The Proposed Distribution per Share represents a premium of approximately 10% over the audited NAV per Share of HK$1.50 as at 31 December 2006.

6. **Trading liquidity of Shares**

The following table sets out the daily trading volume of the Shares for the 12 months prior to the date of the Announcement and up to the Latest Practicable Date (the "Review Period") and the percentage of such trading volume to both the number of Shares in issue and the total number of Shares held by Independent Shareholders:

Table 5: Historical trading volume of the Shares

	Average daily trading volume *(Shares)*	**Percentage of average daily trading volume over total number of Shares in issue**[1] *(%)*	**Percentage of average daily trading volume over total number of Shares held by Independent Shareholders**[2] *(%)*
2006			
April	2,538,234	0.358	1.093
May	399,060	0.056	0.172
June	1,341,785	0.189	0.578
July	983,494	0.139	0.424
August	2,541,880	0.359	1.095
September	620,496	0.088	0.267
October	741,801	0.105	0.320
November	332,838	0.047	0.143
December	143,622	0.020	0.062
2007			
January	195,299	0.028	0.084
February	403,111	0.057	0.174
March	272,450	0.038	0.117
April	1,632,340	0.230	0.703
May (up to the Latest Practicable Date)	1,205,765	0.170	0.519

Source: Stock Exchange website

Note 1: Based on 708,795,964 Shares in issue as at the Latest Practicable Date

Note 2: Based on 232,138,506 Shares held by Independent Shareholders as at the Latest Practicable Date

As shown above, the liquidity of the Shares has not been high during the Review Period with the average daily trading volume ranged from 143,622 Shares to 2,541,880 Shares, representing less than 0.5% of the total number of issued Shares. We note from Chart 1 that the trading volume of the Shares increased substantially on 26 June 2006. According to the Company's announcement dated 26 June 2006, the Company was unaware of any particular reason that led to such increase in the trading volume of the Shares. Subsequent to 26 June 2006 and up to the Latest Practicable Date, we note that there was a relatively high trading volume in the Shares during the period immediately following each of the announcements made by the Company in relation to the proposed privatisation by way of a scheme of arrangement, the disapproval of the scheme of arrangement at the court meeting and the Proposals made on 7 August 2006, 18 October 2006 and 17 April 2007 respectively. Saved for such periods, the trading volume of the Shares remained relatively thin.

Given the relative low liquidity in the Shares, Qualifying Shareholders who may wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price of the Shares. Therefore, we consider that the Offer provides the Qualifying Shareholders an opportunity to realise their investments in the Company at a premium to the historical market price of the Shares.

7. **Comparable Analysis**

For the purpose of assessing the Proposed Distribution per Share, we have also conducted analysis by reviewing the trading multiples of comparable companies listed on the Stock Exchange with business operations comparable to that of the Company ("Comparable Companies"). In selecting the Comparable Companies, we have taken into account their respective sizes, business activities, major products, target customers and market exposure. From our review, we note that there are no listed companies that can be directly compared to the Company and have therefore identified the following 7 Comparables Companies engaging in businesses similar to those of the Company. However, we would like to highlight that while comparable company analysis can reflect current market sentiment towards the sector and provide guidance on valuation, the analysis does not take into account differences, amongst others, in accounting policies and standards, local regulations, operating environments, business models, product mix and customer base, and/or tax treatments, and other unique characteristics of the different companies. No adjustments have been made to account for these differences.

For the assessment of the Proposed Distribution per Share, we have reviewed the implied valuation multiples based on the Proposed Distribution per Share and compared with those of the Comparable Companies.

Table 6: Valuation of Comparable Companies

	Stock code	Market capitalization[1] *(HK$ million)*	Price to earnings multiple ("PER")[2,3] *(x)*	Price to NAV multiple ("P/NAV")[2,4] *(x)*	Net margin *(%)*
Computime Group Limited	320	1,958.80	13.98	5.45	7.28
Nam Tai Electronic & Electrical Products Limited	2633	1,692.81	12.49	1.28	9.71
IDT International Limited	167	1,251.14	N/A[5]	1.36	(10.42)
Fittec International Group	2662	968.39	5.83	0.87	9.24
Wong's International (Holdings) Limited	99	438.91	7.09	0.65	1.67
Pine Technology Holdings Limited	8013	249.22	8.84	0.57	1.00
Ningbo Yidong Electronic Company Limited	8249	160.00	N/A[5]	0.85	(7.33)
High			**13.98**	**5.45**	**9.71**
Mean			**9.64**	**1.58**	**1.59**
Median			**8.84**	**0.87**	**1.67**
Low			**5.83**	**0.57**	**(10.42)**
The Company			**4.68**[6]	**1.10**[6]	**5.42**

Source: Bloomberg and latest published financial statements

Note 1: Market capitalization is based on the closing price of the respective Comparable Companies as quoted on the Stock Exchange on the Latest Practicable Date.

Note 2: Price refers to the closing price of the respective Comparable Companies as quoted on the Stock Exchange on the Latest Practicable Date.

Note 3: Earnings refer to net profit attributable to shareholders as per the latest published audited full year financial statements of the respective Comparable Companies available on the Latest Practicable Date.

Note 4: NAV refers to the net asset value as per the latest published financial statements of the respective Comparable Companies available on the Latest Practicable Date.

Note 5: "N/A" implies that the Comparable Companies had recorded a loss during the latest audited financial year.

Note 6: PER and P/NAV implied by the Proposed Distribution at HK$1.65 per Share

As shown above, the PER implied by the Proposed Distribution per Share is approximately 4.68 times, which is below (i) the range of approximately 5.83 to 13.98 times; (ii) the mean of approximately 9.64 times; and (iii) the median of approximately 8.84 times for the Comparable Companies. If solely based on the PER of the Comparable Companies, the Proposed Distribution per Share may not be seen to be entirely fair and reasonable.

In addition, the P/NAV implied by the Proposed Distribution per Share is approximately 1.1 times, which is within the range of approximately 0.57 to 5.45 times and exceeds the median of 0.87 times but below the mean of 1.58 times for the Comparable Companies. We are of the opinion that the Proposed Distribution per Share, based on a comparison with Comparable Companies on a P/NAV basis, is fair and reasonable.

The comparable company analysis can reflect to some extent the prevailing market sentiment for the sector. Nevertheless, we are of the view that the prevailing traded share price of each individual company is also an indication of market's sentiment towards that particular company. We noted that the PER implied by the Proposed Distribution per Share is below the range for the Comparable Companies. However, the Proposed Distribution per Share represents an approximately 25% premium over the closing price of the others before the date of the Announcement and an approximately 10% premium over the audited NAV as at 31 December 2006.

8. **Withdrawal and Winding Up Proposals**

Following completion of the Transfer and the Proposed Distribution, the Board proposes that the listing of the Shares on the Stock Exchange be withdrawn and will submit the Withdrawal Proposal to Shareholders for their approval (applying the Required Voting Standard).

Subject to all conditions of the Withdrawal Proposal being fulfilled, the Company will apply to the Stock Exchange to withdraw the listing of the Shares from the Stock Exchange pursuant to Rule 6.12 of the Listing Rules. That application is subject to the Stock Exchange being satisfied with compliance with all applicable Listing Rules requirements including Rule 6.12 of the Listing Rules. In this regard, the Proposed Distribution is considered by the Company to be a "reasonable cash alternative or other reasonable alternative" offered to the Independent Shareholders in compliance with Rule 6.12(4) of the Listing Rules.

If the Offer is accepted by the Company, the Board proposes to declare a distribution in favour of the Shareholders of the entire amount of the sale proceeds received as a result of completing the Transfer. Pursuant to the Proposed Distribution, the Promissory Note in the principal amount of HK$786,484,806 will be distributed to the Interested Shareholders. The amount of the Promissory Note proposed to be distributed to the Interested Shareholders is equivalent 67.2% of the total amount of the Proposed Distribution. Based on the existing number of shares held by the Interested Shareholders, this will result in the Interested Shareholders receiving Promissory Notes bearing principal amounts in the proportion of HK$1.65 per Share pursuant to the Proposed Distribution. An amount of HK$383,213,335 in cash will be distributed to the Independent Shareholders. The amount of cash proposed to be distributed to the Independent Shareholders is equivalent to 32.8% of the total amount of the Proposed

Distribution. Based on the existing number of shares held by the Independent Shareholders and assuming full exercise of the 112,000 Options vested as at the Latest Practicable Date, this will result in the Independent Shareholders receiving HK$1.65 per Share in cash pursuant to the Proposed Distribution, which is equal to the Consideration per Share.

Following the withdrawal of the listing of the Shares on the Stock Exchange and the Proposed Distribution, the Independent Shareholders would have received an amount of HK$1.65 per Share pursuant to the Proposed Distribution but would remain Shareholders in a public but unlisted company which would have no material assets or businesses. It is proposed that the Board would resolve to wind up the Company and its remaining subsidiaries. The Independent Shareholders would be entitled to participate on a pro rata basis in any assets available for distribution to the Shareholders after any creditors and the costs of the winding up have been paid, but it is not anticipated that any material assets will remain following the Proposals having been implemented. As shown in Appendix II of the Circular, the unaudited pro forma net assets of the Remaining Group amounted to HK$71,000 as at 31 December 2006.

Based on the comparable analysis set out in section 7, the valuation multiples implied by Proposed Distribution per Share, based on a comparison with Comparable Companies on a price-to-book basis, exceed those of the Comparable Companies. As set out in section 5, the Proposed Distribution per Share represents a premium over the average daily closing price over 12 months prior to the Announcement. We also note in section 6 that trading in the Shares has historically not been very liquid.

Accordingly, we are of the view that the Proposed Distribution represents a “reasonable cash alternative” under the Listing Rules and provides an opportunity for Qualifying Shareholders to realize their investment in the Company at a premium to the prevailing market price of the Shares.

9. Other consideration

9.1 *Other offers from third party*

In formulating our recommendation relating to the terms of the Proposals and to give our independent financial advice to the Independent Board Committee and Qualifying Shareholders, we have also considered other alternatives to the Qualifying Shareholders. Since Interested Shareholders already owned approximately 67.2% of the Company as at the Latest Practicable Date, the Directors believe that it is unlikely that the Shareholders will receive other offers from a third party to acquire substantially all the operating businesses and assets of the Group without the approval of Mr. Senta Wong. In addition, the Directors have confirmed that no other offers from third party have been received so far nor any discussions have taken place (or are taking place) with any third party regarding the disposal of substantially all the operating businesses and assets of the Group. The Directors also confirmed that they have not explored other possible offers from third party.

9.2 *Options available to Qualifying Shareholders*

9.2.1 **Accept the offer**

Having regard to the considerations set out in this letter and the information available to us as at the Latest Practicable Date, we are of the opinion that although the PER implied by the Proposed Distribution per Share does not compare favourably to the prevailing valuations of the Comparable Companies, the Proposed Distribution per Share appears to be fair and reasonable from a market price perspective. Qualifying Shareholders, who take a short-term view of their investment in the Shares and/or who wish to realise their holdings in the Shares and/or who are uncertain about the future prospects of the Company, may wish to vote in favour of the resolutions to approve the Proposals. However, it should be highlighted that the Proposed Distribution per Share does not compare favourably to the prevailing valuations of the Comparable Companies on a PER basis. Nonetheless, it should be noted that given the trading history of the Shares, the volume of the Share traded have not been high and Qualifying Shareholders should regard the Offer as an opportunity to realise their entire investment at a premium to the historical market prices.

9.2.2 **Not accept the offer**

On the other hand, Qualifying Shareholders who take a longer term view of their investment in the Shares and are confident about the future prospects of the Company may wish to retain their holdings in the Shares and accordingly reject the Proposals. However, it should be highlighted that there is no assurance that present growth in sales and profitability will continue to be sustainable. In addition, Qualifying Shareholders should note that in the event that the Proposals is withdrawn or disapproved at the SGM, it is uncertain whether the Share price will be sustainable at the current levels.

9.3 *Options available to Optionholders*

Holders of the Options should note that they are able to exercise their rights (to the extent exercisable pursuant to the share option scheme of the Company adopted at the annual general meeting of the Company on 30 May 2005) to subscribe for new Shares. Holders of the Options should note that the Options which are exercised after the record date for the Proposed Distribution (i.e. 18 July 2007 according to the expected timetable as set out in this Circular) will not be entitled to participate in the Proposed Distribution.

9.3.1 **Accept the Offer**

Holders of the Options, who take a short-term view of their investment and/or who wish to realise their holdings in the Shares and/or who are uncertain about the future prospects of the Company, may wish to exercise their Options to subscribe for new Shares and vote in favour of the resolutions to approve the Proposals. However, it should be highlighted that the Proposed Distribution per Share does not compare favourably to the prevailing valuations of the Comparable Companies on a PER basis. Nonetheless, it should be noted that given the trading history of the Shares, the volume of the Share traded have not been high and holders of the Options should regard the Offer as an opportunity to realise their investment.

9.3.2 **Not accept the Offer**

For holders of Options who decide not to accept the Offer, no action is required to be taken. All holders of the Options should note that all Options shall, to the extent not exercised, lapse and expire on the date of commencement of the winding up of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Having analysed and considered principal factors as set out in this letter above, we would like to draw your attention to the following key factors, which should be read in conjunction with and interpreted in the full context of the Circular, in arriving at our conclusion:

- The Proposed Distribution per Share represents an approximately 25.0% of premium over the trading price as at the last trading day before the date of the Announcement of the Proposals.

- The Shares have never traded at a price above the Proposed Distribution of HK$1.65 per Share in the previous 17 years since 1990.

- In view of the outlook and competitiveness for the sector and the uncertainties in level of cost, the Directors expect that both the Trading Division and the Manufacturing Division will face keen competition in the short to medium term. The turnover growth from the Trading Division has experienced a marked slow down in both 2005 and 2006. Turnover growth from the Manufacturing Division has decreased from 26% in 2005 to 2% in 2006. We believe that any possible slowdown in economic growth as expected by the Directors may not necessarily have an immediate adverse impact on the businesses of the Group. However, there is no assurance that the present growth in sales and profitability will continue to be sustainable, especially given the competitive nature of the consumer electronic market.

- Given the relatively illiquid trading of the Shares historically, the Proposed Distribution represents a "reasonable cash alternative" for the voluntary withdrawal of listing of the Shares under the Listing Rules and provides an opportunity for Qualifying Shareholders to realize their entire investment in the Company at a premium to the prevailing market price of the Shares.

- The increase in Share price since the date of the Announcement is believed to be triggered by positive response to the Proposals. There is no assurance that the Company's Share price and trading volume will be sustainable at the current level if the Proposals are withdrawn or disapproved at the SGM.

- The PER implied by the Proposed Distribution per Share of HK$1.65 is below the range for the Comparable Companies but the P/NAV implied by the Proposed Distribution per Share represents approximately 1.1 times the audited NAV per Share which exceeds the median of 0.87 times for the Comparable Companies.

- Since Interested Shareholders already owned approximately 67.2% of the Company as at the Latest Practicable Date, the Directors believe that it is unlikely that the Shareholders will receive other offers from a third party to acquire substantially all the operating businesses and assets of the Group without the approval of Mr. Senta Wong.

- The Directors have confirmed that as at the Latest Practicable Date, no other offers from third party have been received so far nor any discussions have taken place (or are taking place) with any third party regarding the disposal of substantially all of the operating businesses and assets of the Group.

Based on the factors considered above, we are of the opinion that the terms of the Proposals taken as a whole are fair and reasonable so far as the Qualifying Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Qualifying Shareholders, as well as recommend the Independent Board Committee to advise the Qualifying Shareholders, to vote in favour of resolutions to be proposed at the SGM to approve the Proposals. Notwithstanding our view that the terms of the Proposals are fair and reasonable, the Qualifying Shareholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
DBS ASIA CAPITAL LIMITED

George Hongchoy	**Jason Wong**
Managing Director	*Managing Director*

The following is the text of a report received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

The Directors
Wong's Kong King International (Holdings) Limited
23/F One Kowloon
No. 1 Wang Yuen Street
Kowloon Bay
Kowloon

Dear Sirs,

We set out below our report on the consolidated financial information ("Financial Information") of Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December 2004, 2005 and 2006 (the "Relevant Periods") prepared for inclusion in the Company's circular dated 4th June 2007 (the "Circular") in connection with the proposed disposal of substantially all the operating businesses and assets of the Group.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. As at the date of this report, the addresses of the registered office and principal place of business of the Company is 23/F, One Kowloon, No. 1 Wang Yuen Street, Kowloon Bay, Kowloon.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for OEM customers.

The Company and its subsidiaries have adopted 31st December as their financial year end date. We are auditors of the Company and certain subsidiaries incorporated in Hong Kong for the three years ended 31st December 2006.

As at the date of this report, the particulars of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Class of shares held	Place of incorporation/ establishment	Place of operation	Particular of issued share capital/paid up registered capital	Attributable equity interest of the Group %	Principal activities
Direct subsidiary						
Asean Limited *(Note 1)*	Ordinary	British Virgins Islands	British Virgins Islands	US$1	100	Investment holding
Brilliant International Limited *(Note 2)*	Ordinary	Bermuda	People's Republic of China ("PRC")	US$12,000	100	Investment holding
Taiwan Kong King Co., Limited	Ordinary	Taiwan	Taiwan	NT$345,608,525	67.44	Trading and distribution
WKK America (Holdings) Inc. *(Note 2)*	Ordinary	United State of America	United State of America	US$45,000	100	Marketing
WKK Japan Limited	Ordinary	Japan	Japan	Yen50,000,000	100	Marketing
WKK Holdings Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$47,687,809	100	Investment holding
Wong's Kong King (Singapore) Pte. Limited	Ordinary	Singapore	Singapore	S$1,000,000	100	Trading and distribution in electronics components and printed circuit boards and other related products
Indirect subsidiary						
Dongguan Nissin Plastic Products Limited	Contributed capital	PRC	PRC	HK$57,267,604	100	Manufacturing of plastic products
Dongguan Wong's Kong King Electronics Co., Limited	Contributed capital	PRC	PRC	HK$539,342,486	100	Manufacturing and selling of electrical and electronic products
Grace Year Enterprises Limited *(Note 3)*	Ordinary	Hong Kong	PRC	HK$2	100	Trading and distribution of plastic products
Headway Holdings Limited	Ordinary	Samoa	Taiwan	US$1,500,000	67.44	Trading and investment holding

Name of subsidiaries	Class of shares held	Place of incorporation/ establishment	Place of operation	Particular of issued share capital/paid up registered capital	Attributable equity interest of the Group	Principal activities
					%	
Hiking International Company Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$7,800,000	54.63	Investment holding and provision for installation services
Hiking Technology (Suzhou) Company Limited	Contributed capital	PRC	PRC	US$1,000,000	54.63	Design, producing and testing of electronic components
Hong Kong Taiwan Kong King Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$14,510,000	67.44	Trading and distribution of industrial products
Nissin Co., Limited *(Note 3)*	Ordinary	British Virgin Islands	PRC	US$4,500,001	100	Investment holding and trading and distribution of plastic products
WKK Asia Pacific Limited *(Note 3)*	Ordinary	British Virgin Islands	Hong Kong	US$1	100	Investment holding
WKK China Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$500,000	100	Trading, distribution and installation of turnkey production facilities
WKK Distribution Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$1,000,000	100	Investment holding
WKK Electronic Equipment Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$2	100	Trading and distribution
WKK Engineering Service Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$2,000	100	Provision of engineering services
WKK Philippines Inc	Ordinary	Philippines	Philippines	PHP1,000,000	100	Trading and distribution in printed circuit boards and other related products
WKK PCB Trading Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$2	100	Trading and distribution
WKK Technology Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$500,000	100	Manufacturing and selling of electrical and electronic products

Name of subsidiaries	Class of shares held	Place of incorporation/ establishment	Place of operation	Particular of issued share capital/paid up registered capital	Attributable equity interest of the Group	Principal activities
					%	
WKK Travel Limited *(Note 3)*	Ordinary	Hong Kong	Hong Kong	HK$4,600,000	100	Travel ticketing
WKK (Thailand) Limited	Ordinary	Thailand	Thailand	Common shares - Thai Baht 2,450,000 Preference shares - Thai Baht 2,550,000	100	Trading and distribution of industrial products
東莞港建摩頓光像薄膜有限公司	Contributed capital	PRC	PRC	RMB9,515,678	100	Manufacturing of film products
建懋電子科技(上海)有限公司	Contributed capital	PRC	PRC	US$1,500,000	67.44	Development and consultation of electronic technology
港建日置股份有限公司	Ordinary	Taiwan	Taiwan	NT$59,400,000	57.32	Manufacturing of industrial products
王氏港建貿易(深圳)有限公司	Contributed capital	PRC	PRC	HK$6,000,000	100	Trading and distribution in printed circuit boards and semi-conductors equipment
王氏港建貿易(上海)有限公司	Contributed capital	PRC	PRC	US$880,000	100	Trading and distribution in printed circuit boards and semi-conductors equipment
王氏港建(上海)設備維修服務有限公司	Contributed capital	PRC	PRC	US$210,000	100	Provision of maintenance and after sales services

Notes:

1. Asean Limited was incorporated on 18th January 2007 with the authorized share capital of US$50,000 and no statutory financial statements have been prepared since the date of incorporation.

2. No audited financial statements have been prepared for these companies, which were incorporated in a country where there were no statutory audit requirement.

3. The statutory financial statements of these companies were audited by SHINEWING (HK) CPA Limited.

The statutory financial statements of the following companies comprising the Group during the Relevant Periods which were incorporated in the jurisdictions other than Hong Kong, were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the respective jurisdictions and were audited by the following certified public accountants, registered in the respective jurisdictions:

Name of subsidiaries	Financial period	Certified public accountants
Dongguan Nissin Plastic Products Limited	1/1/2004 – 31/12/2006	東莞市正量會計師事務所
Dongguan Wong's Kong King Electronics Co., Limited	1/1/2004 – 31/12/2005	北京中威華浩會計師事務所有限公司廣東分公司
	1/1/2006 – 31/12/2006	廣東正源會計師事務所有限公司
Headway Holdings Limited	1/1/2004 – 31/12/2006	致遠會計師事務所
Hiking Technology (Suzhou) Company Limited	1/1/2004 – 31/12/2004	蘇州華明聯合會計師事務所
	1/1/2005 – 31/12/2006	蘇州建信會計師實務所有限公司
Taiwan Kong King Co., Limited	1/1/2004 – 30/06/2004	立本台灣聯合會計師事務所
	1/7/2004 – 31/12/2006	致遠會計師事務所
WKK Japan Limited	1/1/2004 – 31/12/2006	Kainan Audit Corporation
WKK Philippines Inc.	1/1/2004 – 31/12/2006	A.P. Acyatan & Co., CPAs
Wong's Kong King (Singapore) Pte. Limited	1/1/2004 – 31/12/2006	Kwan Wong Tan & Hong
WKK (Thailand) Limited	1/1/2004 – 31/12/2006	Dharmniti Auditing Co., Ltd.
東莞港建摩頓光像薄膜有限公司	1/1/2004 – 31/12/2005	東莞市正量會計師事務所
	1/1/2006 – 31/12/2006	廣東正源會計師事務所有限公司
建懋電子科技(上海)有限公司	1/1/2004 – 31/12/2004	上海滬博會計師事務所有限公司
	1/1/2005 – 31/12/2006	上海宏大信宇會計師事務所有限公司
港建日置股份有限公司	1/1/2004 – 30/06/2004	立本台灣聯合會計師事務所
	1/7/2004 – 31/12/2006	致遠會計師事務所
王氏港建貿易(深圳)有限公司	1/1/2004 – 31/12/2004	深圳同人會計師事務所
	1/1/2005 – 31/12/2005	深圳市亞太會計師事務所有限公司
	1/1/2006 – 31/12/2006	深圳德正會計師事務所有限公司
王氏港建貿易(上海)有限公司	1/1/2004 – 31/12/2006	上海立信長江會計師事務所
王氏港建(上海)設備維修服務有限公司	1/1/2004 – 31/12/2006	上海長信會計師事務所有限公司

We have undertaken independent audits of the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for the Relevant Periods. The Underlying Financial Statement is prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

We have examined the Underlying Financial Statements and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information of the Group which give a true and fair view. The directors of the Company are also responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the consolidated financial statements of the Group, to form an independent opinion on the Financial Information and to report our opinion to you.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

In our opinion, the Financial Information set out below, for the purpose of this report and prepared in accordance with the HKFRSs, gives a true and fair view of the state of affairs of the Group as at 31st December 2004, 2005 and 2006, and of the results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED INCOME STATEMENTS

		Year ended 31st December		
	Notes	**2004**	**2005**	**2006**
		HK$'000	*HK$'000*	*HK$'000*
Turnover	6	4,279,844	4,641,372	5,011,863
Investment income	8	4,853	7,942	7,946
Changes in inventories of finished goods and work in progress		48,239	111,201	(39,671)
Raw materials and consumables used		(1,949,497)	(2,523,581)	(2,317,695)
Purchases of finished goods		(1,558,094)	(1,307,664)	(1,562,648)
Employee benefit expenses		(304,843)	(337,729)	(396,876)
Depreciation and amortisation expenses		(54,873)	(64,732)	(61,241)
Other operating expenses		(262,736)	(272,352)	(249,935)
Finance costs	9	(29,210)	(39,959)	(36,383)
Impairment loss recognised in respect of land and buildings		(5,241)	—	(15,682)
Impairment loss recognised in respect of available-for-sale investments		(2,127)	(327)	—
Allowance for doubtful debts on amounts due from investee companies		(2,362)	—	—
Gain on disposal of partial interest in a subsidiary		—	21,539	—
Share of results of associates		175	—	(564)
Loss on disposal of an associate		—	(227)	—
Profit before taxation		164,128	235,483	339,114
Income tax expense	11	(29,431)	(35,765)	(67,717)
Profit for the year	12	134,697	199,718	271,397
Attributable to:				
Equity holders of the parent company		122,519	180,609	250,093
Minority interests		12,178	19,109	21,304
		134,697	199,718	271,397
Dividends	13	20,784	38,104	10,622
Earnings per share	14			
Basic		17.68 cents	26.07 cents	35.78 cents
Diluted		N/A	25.05 cents	34.59 cents

CONSOLIDATED BALANCE SHEETS

		At 31st December		
	Notes	**2004**	**2005**	**2006**
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	15	666,717	625,951	629,667
Prepaid lease payments – due after one year	16	14,058	13,704	13,132
Interests in associates	17	2,077	159	3,730
Interest in a jointly controlled entity	18	—	—	216
Available-for-sale investments	19	22,377	38,265	41,750
Amount due from an investee company	20	1,444	1,444	1,444
Retirement benefit assets	35	92	—	—
Deferred tax assets	31	4,402	2,872	4,798
		711,167	682,395	694,737
Current assets				
Inventories	21	367,950	489,541	495,489
Prepaid lease payments – due within one year	16	353	353	353
Trade and other receivables	22	925,719	927,300	993,603
Bills receivable	23	2,454	1,077	—
Deposits and prepayments		18,094	17,582	24,260
Tax recoverable		870	116	1,701
Pledged bank deposits	24	257	257	267
Bank balances and cash		169,300	200,682	218,497
		1,484,997	1,636,908	1,734,170
Current liabilities				
Trade and other payables	25	758,093	730,123	739,244
Tax liabilities		20,779	21,829	42,089
Bank borrowings – due within one year	26	476,429	421,801	359,609
Obligations under finance leases – due within one year	27	4,315	4,323	3,454
Bank overdraft – secured	28	6,672	198	5,831
		1,266,288	1,178,274	1,150,227
Net current assets		218,709	458,634	583,943
Total assets less current liabilities		929,876	1,141,029	1,278,680

	Notes	At 31st December 2004 HK$'000	2005 HK$'000	2006 HK$'000
Capital and reserves				
Share capital	29	69,279	69,279	70,810
Reserves		605,712	762,953	989,434
Equity attributable to equity holders of the parent company		674,991	832,232	1,060,244
Minority interests		39,583	65,788	73,174
Total equity		714,574	898,020	1,133,418
Non-current liabilities				
Shareholders' loan	30	30,000	—	—
Deferred tax liabilities	31	1,631	743	428
Bank borrowings – due after one year	26	175,000	237,500	142,500
Obligations under finance leases – due after one year	27	7,125	3,092	372
Retirement benefit obligations	35	1,546	1,674	1,962
		215,302	243,009	145,262
		929,876	1,141,029	1,278,680

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent company											Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Asset revaluation reserve	Dividend reserve	Translation reserve	Share options reserves	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Note a*)	*HK$'000* (*Note b*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2004	69,279	68,142	1,610	26,624	5,008	233	—	(17,112)	—	399,886	553,670	30,919	584,589
Profit for the year	—	—	—	—	—	—	—	—	—	122,519	122,519	12,178	134,697
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	(6,607)	(6,607)
Capital contribution from minority interests	—	—	—	—	—	—	—	—	—	—	—	1,661	1,661
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	5,730	—	—	5,730	1,432	7,162
Interim dividends for 2004 paid	—	—	—	—	—	—	—	—	—	(6,928)	(6,928)	—	(6,928)
Proposed 2004 final dividend	—	—	—	—	—	—	13,856	—	—	(13,856)	—	—	—
At 31st December 2004	69,279	68,142	1,610	26,624	5,008	233	13,856	(11,382)	—	501,621	674,991	39,583	714,574

	Attributable to equity holders of the parent company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Asset revaluation reserve HK$'000	Dividend reserve HK$'000	Translation reserve HK$'000	Share options reserves HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2005	69,279	68,142	1,610	26,624	5,008	233	13,856	(11,382)	—	501,621	674,991	39,583	714,574
Profit for the year	—	—	—	—	—	—	—	—	—	180,609	180,609	19,109	199,718
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	(13,677)	(13,677)
Capital contribution from a minority interest	—	—	—	—	—	—	—	—	—	—	—	20,773	20,773
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	717	—	717	—	717
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	163	—	—	163	—	163
Final dividends for 2004 paid	—	—	—	—	—	—	(13,856)	—	—	—	(13,856)	—	(13,856)
Interim dividends for 2005 paid	—	—	—	—	—	—	—	—	—	(10,392)	(10,392)	—	(10,392)
Proposed 2005 final dividend	—	—	—	—	—	—	27,712	—	—	(27,712)	—	—	—
At 31st December 2005	69,279	68,142	1,610	26,624	5,008	233	27,712	(11,219)	717	644,126	832,232	65,788	898,020

	Attributable to equity holders of the parent company												
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Asset revaluation reserve	Dividend reserve	Translation reserve	Share options reserves	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (Note a)*	*HK$'000 (Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2006	69,279	68,142	1,610	26,624	5,008	233	27,712	(11,219)	717	644,126	832,232	65,788	898,020
Issue of ordinary shares upon exercise of share options	1,531	7,044	—	—	—	—	—	—	(322)	322	8,575	—	8,575
Profit for the year	—	—	—	—	—	—	—	—	—	250,093	250,093	21,304	271,397
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	(19,028)	(19,028)
Capital contribution from minority interests	—	—	—	—	—	—	—	—	—	—	—	5,110	5,110
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	1,496	—	1,496	—	1,496
Share option lapsed during the year	—	—	—	—	—	—	—	—	(266)	266	—	—	—
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	6,182	—	—	6,182	—	6,182
Final dividends for 2005 paid	—	—	—	—	—	—	(27,712)	—	—	—	(27,712)	—	(27,712)
Interim dividend for 2006 paid	—	—	—	—	—	—	—	—	—	(10,622)	(10,622)	—	(10,622)
At 31st December 2006	70,810	75,186	1,610	26,624	5,008	233	—	(5,037)	1,625	884,185	1,060,244	73,174	1,133,418

Notes:

(a) The contributed surplus of the Company arose from a group reorganisation on 26th June 1990. The balance represents the difference between the nominal amount of the Company's shares issued under a scheme of arrangement (the "Scheme") and the consolidated shareholders' funds of WKK (Holdings) Limited as at 26th June 1990 acquired by the Company under the Scheme. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders.

(b) The special reserve is the amount of share premium of the Group attributable to subsidiaries.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31st December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	164,128	235,483	339,114
Adjustments for:			
Finance costs	29,210	39,959	36,383
Interest income	(1,394)	(1,461)	(3,242)
Dividends income from available-for-sale investments	(3,439)	(6,481)	(4,704)
Depreciation of property, plant and equipment	54,519	64,378	60,669
Amortisation of prepaid lease payments	354	353	572
Share-based payment expense	—	717	1,496
Impairment loss recognised in respect of available-for-sale investments	2,127	327	—
Provision for loss in respect of a litigation claim	300	—	—
Loss on disposal of an associate	—	227	—
Gain on disposal of partial interest in a subsidiary	—	(21,539)	—
Gain on disposal of available-for-sale investments	(20)	—	—
Allowance for doubtful debts on amount due from an investee company	2,362	—	—
(Gain) loss on disposal of property, plant and equipment	(483)	284	(237)
Share of results of associates	(175)	—	564
Impairment loss recognised in respect of land and buildings	5,241	—	15,682
Operating cash flows before movements in working capital	252,730	312,247	446,297
Increase in inventories	(103,708)	(121,591)	(5,948)
Increase in trade and other receivables	(206,940)	(1,581)	(66,303)
Decrease in bills receivable	1,588	1,377	1,077
Decrease (increase) in deposits and prepayments	4,566	512	(6,669)
Increase in retirement benefit obligations	968	220	288
Increase (decrease) in trade and other payables	114,805	(27,970)	9,121
Increase (decrease) in bills payable	45,495	(166,817)	(46,926)
Cash generated from (used in) operations	109,504	(3,603)	330,937
Income taxes paid	(21,246)	(33,319)	(51,283)
Net cash from (used in) operating activities	88,258	(36,922)	279,654

	Year ended 31st December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Net cash from (used in) operating activities	88,258	(36,922)	279,654
Investing activities			
Interest received	1,394	1,461	3,242
Dividends income from available-for-sale investments	3,439	6,481	4,704
Advance to a jointly controlled entity	—	—	(211)
Purchase of property, plant and equipment	(35,423)	(25,878)	(78,817)
Proceeds from disposal of property, plant and equipment	3,726	1,424	1,401
Purchase of available-for-sale investments	(4,021)	(16,215)	(3,485)
Proceeds from disposal of associates	—	1,544	—
Proceeds from disposal of partial interest in a subsidiary	—	21,539	—
Acquisition of interest in an associate	—	—	(4,392)
Proceeds from disposal of available-for-sale investments	80	—	—
(Repayment to) advanced from associates	(11)	147	257
Acquisition of interest in a jointly controlled entity	—	—	(5)
Increase in pledged bank deposits	(19)	—	(10)
Net cash used in investing activities	(30,835)	(9,497)	(77,316)
Financing activities			
Dividends paid	(6,928)	(24,248)	(38,334)
Interest paid	(29,210)	(39,959)	(36,383)
Dividends paid to minority shareholders	(6,607)	(13,677)	(19,028)
New bank loans raised	88,812	453,190	5,941
Proceeds from issue of ordinary share upon exercise of share options	—	—	8,575
Repayment of shareholders' loan	—	(30,000)	—
Repayment of bank loans	(44,500)	(278,501)	(116,207)
Repayment of obligations under finance leases	(2,238)	(4,025)	(3,589)
Capital contributions from minority shareholders of subsidiaries	1,661	20,773	5,110
Net cash from (used in) financing activities	990	83,553	(193,915)
Net increase in cash and cash equivalents	58,413	37,134	8,423
Cash and cash equivalents as 1st January	98,233	162,628	200,484
Effect of foreign exchange rate changes	5,982	722	3,759
Cash and cash equivalents at 31st December	162,628	200,484	212,666
Analysis of the balances of cash and cash equivalents, represented by:			
Bank balances and cash	169,300	200,682	218,497
Bank overdraft – secured	(6,672)	(198)	(5,831)
	162,628	200,484	212,666

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are 23/F, One Kowloon, No. 1 Wang Yuen Street, Kowloon Bay, Kowloon.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Company and its subsidiaries (the "Group").

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for OEM customers.

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

In 2004, 2005 and 2006, Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new or revised Hong Kong Accounting Standards ("HKAS"), amendments and Interpretations ("Int") of Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") that are effective for accounting periods beginning on or after 1st January 2005. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has early adopted all these new HKFRSs throughout the Relevant Periods.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements [8]

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. These accounting policies have been consistently applied to all the Relevant Periods presented unless otherwise stated.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the Financial Information from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *HKFRS 3 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

Interest in a jointly controlled entity

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

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

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

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

Revenue recognition

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

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

Service income is recognised when services are rendered.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Ticketing and touring income is recognised when services are rendered.

Commission income is recognised when services are rendered.

Rental income under operating leases is recognised in the Financial Information on a straight-line basis over the terms of the relevant lease.

Property, plant and equipment

Property, plant and equipment other than the freehold land are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method as stated below:

Buildings	2.5%
Leasehold improvements, furniture and fixtures	15%-20%
Machinery and equipment	15%-20%
Medium-term leasehold factory premises	Over the terms of the lease
Motor vehicles	15%-25%
Moulds	50%

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

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

Impairment losses

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the Financial Information. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sales. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the Relevant Periods in which they are incurred.

Retirement benefits costs

Payments to the Group's defined contribution retirement benefits plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognised in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Inventories

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

Prepaid lease payments

Prepaid lease payments represent lease prepayment paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Financial instruments

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

Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are mainly represented other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank borrowings, trade and other payables, obligations under finance leases, amounts due to associates and a jointly controlled entity are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTINTY

In the process of applying the Group's accounting policies which are described in Note 3, management has made the following judgments that have significant effect on the amounts recognised in the Financial Information. 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 also discussed below.

Depreciation

The Group's net carrying values of property, plant and equipment as at 31st December 2006 was approximately HK$629,667,000 (2004: HK$666,717,000; 2005: HK$625,951,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 2 to 40 years and after taking into account of their estimated residual value, using the straight-line method, at the rate of 2.5% to 50% per annum, commencing from the date the property, plant and equipment are placed into productive use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

5. FINANCIAL RISK MANAGMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, deposits and prepayments, bank borrowings and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain trade receivables and payables of the Company are denominated in foreign currencies other than the functional currency of the group entity. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate change on interest bearing bank borrowings. The interest rates and terms of repayment of bank borrowings of the Group are disclosed in Note 26 to the Financial Information.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December 2004, 2005 and 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the Financial Information. In order to minimise the credit risk, the management has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

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

6. TURNOVER

Turnover represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, net of return, allowances, discounts and sales related taxes, and others, and is analysed as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	4,163,742	4,551,621	4,919,347
Commission income	41,547	25,152	20,861
Service fee income	52,690	40,143	47,209
Ticketing and touring income	21,800	23,689	24,430
Others	65	767	16
	4,279,844	4,641,372	5,011,863

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – trading and manufacturing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading	—	trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products
Manufacturing	—	manufacturing of electrical and electronic products

Segment information about these businesses is presented below:

Consolidated income statement for the year ended 31st December 2004

	Trading	Manufacturing	Other	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
External sales	2,003,230	2,233,315	43,299	—	4,279,844
Inter-segment sales	47,808	2,147	27,458	(77,413)	—
Total	2,051,038	2,235,462	70,757	(77,413)	4,279,844
Result					
Segment result	174,696	42,109	(4,483)	(6,133)	206,189
Finance costs	(4,935)	(29,545)	(863)	6,133	(29,210)
Impairment loss recgonsied in respect of land and buildings	(5,241)	—	—	—	(5,241)
Impairment loss recognised in respect of available-for-sale investments	(1,096)	—	(1,020)	—	(2,116)
Allowance for doubtful debts on amounts due from investee companies	—	—	(2,362)	—	(2,362)
Share of results of associates	175	—	—	—	175
	163,599	12,564	(8,728)	—	167,435
Unallocated corporate expenses					(3,307)
Profit before taxation					164,128
Taxation					(29,431)
Profit for the year					134,697

Inter-segment sales are charged at prevailing market rates.

Consolidated balance sheet as at 31st December 2004

	Trading	Manufacturing	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	637,198	1,487,374	68,509	2,193,081
Interests in associates	1,789	(6,568)	6,856	2,077
Unallocated corporate assets	—	—	—	1,006
Consolidated total assets				2,196,164
Liabilities				
Segment liabilities	409,802	1,011,004	60,316	1,481,122
Unallocated corporate liabilities	—	—	—	468
Consolidated total liabilities				1,481,590

Other Information

For the year ended 31st December 2004

	Trading	Manufacturing	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	18,363	25,260	4,937	48,560
Allowance for doubtful debts on amount due from investee companies	—	—	2,362	2,362
Depreciation for property, plant and equipment	11,445	34,489	8,585	54,519
Amortisation of prepaid lease payments	—	354	—	354
Written down of inventories to net realisable value	2,167	—	—	2,167
Provision for loss in respect of a litigation claim	300	—	—	300
Gain on disposal of available-for-sale investments	—	—	(20)	(20)
Gain (loss) on disposal of property, plant and equipment	484	—	(1)	483

Consolidated income statement for the year ended 31st December 2005

	Trading	Manufacturing	Other	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
External sales	1,775,052	2,821,206	45,114	—	4,641,372
Inter-segment sales	83,636	2,135	26,639	(112,410)	—
Total	1,858,688	2,823,341	71,753	(112,410)	4,641,372
Result					
Segment result	164,938	106,663	(9,149)	(6,521)	255,931
Finance costs	(3,161)	(42,788)	(531)	6,521	(39,959)
Gain on disposal of partial interest in a subsidiary	21,539	—	—	—	21,539
Loss on disposal of an associate	(227)	—	—	—	(227)
	183,089	63,875	(9,680)	—	237,284
Unallocated corporate expenses					(1,801)
Profit before taxation					235,483
Income tax expense					(35,765)
Profit for the year					199,718

Inter-segment sales are charged at prevailing market rates.

Consolidated balance sheet as at 31st December 2005

	Trading	Manufacturing	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	670,766	1,576,201	71,307	2,318,274
Interests in associates	—	—	18	18
Unallocated corporate assets	—	—	—	1,011
Consolidated total assets				2,319,303
Liabilities				
Segment liabilities	343,212	1,044,048	33,417	1,420,677
Unallocated corporate liabilities	—	—	—	606
Consolidated total liabilities				1,421,283

Other Information

For the year ended 31st December 2005

	Trading	Manufacturing	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	7,871	14,673	3,334	25,878
Depreciation for property, plant and equipment	11,470	45,048	7,860	64,378
Amortisation of prepaid lease payments	—	353	—	353
Written down of inventories to net realisable value	—	6,213	—	6,213
(Reversal of) allowance for bad and doubtful debts	(10,017)	—	8	(10,009)
Loss on disposal of property, plant and equipment	95	189	—	284

Consolidated income statement for the year ended 31st December 2006

	Trading	Manufacturing	Other	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
External sales	2,100,170	2,870,419	41,274	—	5,011,863
Inter-segment sales	323,111	2,154	27,238	(352,503)	—
Total	2,423,281	2,872,573	68,512	(352,503)	5,011,863
Result					
Segment result	197,446	229,489	(12,145)	(19,426)	395,364
Finance costs	(12,885)	(42,737)	(187)	19,426	(36,383)
Impairment loss recognised in respect of land and buildings	(150)	(15,532)	—	—	(15,682)
Share of results of associates	(564)	—	—	—	(564)
	183,847	171,220	(12,332)	—	342,735
Unallocated corporate expenses					(3,621)
Profit before taxation					339,114
Income tax expense					(67,717)
Profit for the year					271,397

Inter-segment sales are charged at prevailing market rates.

Consolidated balance sheet as at 31st December 2006

	Trading	**Manufacturing**	**Other**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	848,948	1,503,559	72,454	2,424,961
Interests in associates	3,729	(7,000)	7,001	3,730
Interest in a jointly controlled entity	216	—	—	216
Consolidated total assets				2,428,907
Liabilities				
Segment liabilities	554,358	1,146,702	(405,571)	1,295,489
Consolidated total liabilities				1,295,489

Other Information

For the year ended 31st December 2006

	Trading	**Manufacturing**	**Other**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	10,678	63,425	4,714	78,817
Depreciation of property, plant and equipment	13,631	42,514	4,524	60,669
Amortisation of prepaid lease payments	—	353	—	353
Write down of inventories to net realisable value	2,619	—	—	2,619
Reversal of allowance for bad and doubtful debts	(1,319)	(1,544)	(31)	(2,894)
(Gain) loss on disposal of property, plant and equipment	(283)	—	46	(237)

Geographical Segments

The Group's operations are located in Hong Kong, other regions in the PRC, South East Asia, Europe and America. The Group's trading divisions are located in Hong Kong, PRC and South East Asia. Manufacturing of industrial products is carried out in the PRC.

The following table provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods or services:

	Sales revenue by geographical market		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	868,771	668,195	815,833
PRC	1,242,411	1,311,007	1,579,275
South East Asia	796,380	1,145,886	1,140,841
Europe	624,018	536,769	486,645
America	738,679	976,520	987,210
Others	9,585	2,995	2,059
	4,279,844	4,641,372	5,011,863

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

	Carrying amount of segment assets			Additions to property, plant and equipment		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,088,903	1,189,587	1,102,819	1,132	3,022	2,670
PRC	815,578	836,801	975,308	36,830	18,921	71,258
South East Asia	291,195	292,393	349,682	10,568	3,935	4,820
Europe	8	8	9	—	—	—
America	480	514	1,089	30	—	69
	2,196,164	2,319,303	2,428,907	48,560	25,878	78,817

8. INVESTMENT INCOME

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
— bank deposits	905	1,461	3,165
— overdue receivables	489	—	77
Total interest income	1,394	1,461	3,242
Dividends from available-for-sale investments	3,439	6,481	4,704
Gain on disposal of available-for-sale investments	20	—	—
	4,853	7,942	7,946

9. FINANCE COSTS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
— bank loans and overdrafts wholly repayable within five years	27,589	38,984	35,875
— shareholders' loan	825	483	—
— finance leases	796	492	407
— other	—	—	101
Total borrowing costs	29,210	39,959	36,383

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to directors during the Relevant Periods were as follows:

For the year ended 31st December 2004

	Senta Wong	Edward Ying-Chun Tsui	Byron Shu-Chan Ho	Bengie Man-Hang Kwong	Hamed Hassan EL-ABD	Peter Chung-Yin Lee	John Ho	Philip Wan-Chung Tse	Gene Howard Weiner	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	50	50	50	50	50	52	55	55	50	462
Other emoluments										
— Salaries and other benefits	6,029	3,300	3,036	2,844	2,280	—	—	—	—	17,489
— Contributions to retirement benefits schemes	204	165	152	142	96	—	—	—	—	759
— Share based payment	—	—	—	—	—	—	—	—	—	—
— Performance related incentive payments	2,274	1,792	1,799	237	570	—	—	—	—	6,672
Total emoluments	8,557	5,307	5,037	3,273	2,996	52	55	55	50	25,382

For the year ended 31st December 2005

	Senta Wong	Edward Ying-Chun Tsui	Byron Shu-Chan Ho	Bengie Man-Hang Kwong	Hamed Hassan EL-ABD	Peter Chung-Yin Lee	John Ho	Philip Wan-Chung Tse	Gene Howard Weiner	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	100	100	100	100	100	105	105	105	100	915
Other emoluments										
— Salaries and other benefits	5,762	3,300	3,036	2,844	2,280	—	—	—	—	17,222
— Contributions to retirement benefits schemes	204	165	152	142	96	—	—	—	—	759
— Share based payment	44	44	44	33	33	6	6	6	6	222
— Performance related incentive payments	2,625	3,179	3,158	2,137	570	—	—	—	—	11,669
Total emoluments	8,735	6,788	6,490	5,256	3,079	111	111	111	106	30,787

For the year ended 31st December 2006

	Senta Wong	Edward Ying-Chun Tsui	Byron Shu-Chan Ho	Bengie Man-Hang Kwong	Hamed Hassan EL-ABD	Peter Chung-Yin Lee	John Ho	Philip Wan-Chung Tse	Gene Howard Weiner	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	100	100	100	100	100	105	105	105	100	915
Other emoluments										
— Salaries and other benefits	6,417	3,636	3,346	3,142	2,566	—	—	—	—	19,107
— Contributions to retirement benefits schemes	248	182	167	157	104	—	—	—	—	858
— Share based payment	70	70	70	52	52	11	11	11	11	358
— Performance related incentive payments	4,659	5,092	5,082	4,680	713	—	—	—	—	20,226
Total emoluments	11,494	9,080	8,765	8,131	3,535	116	116	116	111	41,464

During the Relevant Periods, no emoluments were paid by the Group to the directors as inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived or agreed to waive any emoluments during the Relevant Periods.

(b) **Employee's emoluments**

The five highest paid individuals in the Group were executive directors of the Company during the Relevant Periods whose emoluments are included in the disclosures in Note 10(a) above.

11. INCOME TAX EXPENSE

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
The charge (credit) comprises:			
Current tax			
Hong Kong	13,176	10,806	38,772
Other jurisdictions	19,136	25,920	18,589
	32,312	36,726	57,361
Under(over)provision in prior years			
Hong Kong	—	(52)	8,115
Other jurisdictions	(166)	(267)	—
	(166)	(319)	8,115
Deferred taxation (Note 31)	(2,715)	(642)	2,241
	29,431	35,765	67,717

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the Relevant Periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per the consolidated income statements as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	164,128	235,483	339,114
Tax at domestic tax rate	32,487	40,993	59,345
Tax effect of expenses not deductible for tax purpose	4,497	2,834	4,419
Tax effect of share of loss of associates	—	—	99
Tax effect of income not taxable for tax purpose	(2,571)	(9,106)	(3,396)
Effect of tax exemption granted to foreign subsidiaries	(291)	—	—
Deferred tax asset in respect of tax losses not recognised	(2,663)	997	1,610
Others	(1,862)	366	(143)
Effect of different tax rate of operations in other jurisdictions	—	—	(2,332)
Under(over) provision prior years	(166)	(319)	8,115
Tax charge for the year	29,431	35,765	67,717

12. PROFIT FOR THE YEAR

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):			
Depreciation			
— owned assets	53,918	63,654	59,926
— assets held under finance leases	601	724	743
	54,519	64,378	60,669
Amortisation of prepaid lease payments	354	353	353
Auditors' remuneration			
— current year	1,340	1,373	1,156
— underprovision in previous years	12	—	8
	1,352	1,373	1,164
Written down of inventories to net realisable value	2,167	6,213	2,619
Cost of inventory recognised as expenses	3,459,352	3,720,044	3,920,014
Impairment loss recognised in respect of medium-term leasehold factory premises in the PRC	—	—	15,532
Impairment loss recognised in respect of freehold land and buildings in overseas	5,241	—	150
Contributions to retirement benefits schemes including the contributions for the directors	6,442	5,120	5,828
Allowance for doubtful debts on amount due from an investee company	2,362	—	—
Net foreign exchange loss (gain)	343	(4,069)	(2,883)
Provision for loss in respect of a litigation claim	300	—	—
(Gain) loss on disposal of property, plant and equipment	(483)	284	(237)
Reversal of allowance of bad and doubtful debts	—	(10,009)	(2,894)

13. DIVIDENDS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Ordinary shares:			
Interim dividends, paid: HK$0.015 (2005: HK$0.015; 2006: HK$0.015) per share	6,928	10,392	10,622
Final dividends, proposed: HK$0.04 (2005: HK$0.04: 2006: Nil) per share	13,856	27,712	—
	20,784	38,104	10,622

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent company is based on the following data:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent company)	122,519	180,609	250,093

		Number of shares	
	2004	2005	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	692,791,964	692,791,964	699,012,493
Effect of dilutive potential ordinary shares:			
Share options	—	28,292,966	24,013,561
Weighted average number of ordinary shares for the purposes of diluted earnings per share	692,791,964	721,084,930	723,026,054

No diluted earning per share have been presented for the year ended 31st December 2004 as there was no diluting events existed during that year.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings in overseas	Medium-term leasehold factory premises in the PRC	Machinery and equipment	Leasehold improvements, furniture and fixtures	Motor vehicles	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January 2004	46,329	432,205	466,784	89,312	16,985	4,190	1,055,805
Exchange adjustments	(418)	—	(717)	65	137	—	(933)
Additions	2,248	3,760	29,307	9,590	3,655	—	48,560
Disposals	—	—	(5,929)	(814)	(3,273)	—	(10,016)
At 31st December 2004 and 1st January 2005	48,159	435,965	489,445	98,153	17,504	4,190	1,093,416
Exchange adjustments	(1,032)	—	(348)	(29)	8	—	(1,401)
Additions	—	394	21,417	2,803	1,264	—	25,878
Disposals	—	—	(8,214)	(363)	(65)	—	(8,642)
At 31st December 2005 and 1st January 2006	47,127	436,359	502,300	100,564	18,711	4,190	1,109,251
Exchange adjustments	2,126	22	1,580	1,097	286	—	5,111
Additions	—	24,738	48,578	2,669	2,832	—	78,817
Disposals	(1,745)	—	(9,767)	(4,092)	(2,565)	—	(18,169)
Reclassification	—	—	(30,655)	26,944	3,702	—	(9)
At 31st December 2006	47,508	461,119	512,036	127,182	22,966	4,190	1,175,001
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1st January 2004	6,195	17,888	272,588	62,794	12,167	4,190	375,822
Exchange adjustments	46	—	(2,215)	(70)	129	—	(2,110)
Impairment loss recognised during the year	5,241	—	—	—	—	—	5,241
Charge for the year	590	8,550	36,659	6,782	1,938	—	54,519
Eliminated on disposals	—	—	(3,054)	(779)	(2,940)	—	(6,773)
At 31st December 2004 and 1st January 2005	12,072	26,438	303,978	68,727	11,294	4,190	426,699
Exchange adjustments	(202)	—	(560)	(88)	7	—	(843)
Charge for the year	624	6,075	48,330	7,012	2,337	—	64,378
Eliminated on disposals	—	—	(6,528)	(341)	(65)	—	(6,934)

	Freehold land and buildings in overseas	Medium-term leasehold factory premises in the PRC	Machinery and equipment	Leasehold improvements, furniture and fixtures	Motor vehicles	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2005 and 1st January 2006	12,494	32,513	345,220	75,310	13,573	4,190	483,300
Exchange adjustments	234	—	1,330	938	186	—	2,688
Charge for the year	508	6,942	44,204	6,465	2,550	—	60,669
Impairment loss recognised during the year	150	15,532	—	—	—	—	15,682
Eliminated on disposals	(1,745)	—	(8,894)	(3,864)	(2,502)	—	(17,005)
Reclassification	—	—	(20,751)	17,717	3,034	—	—
At 31st December 2006	11,641	54,987	361,109	96,566	16,841	4,190	545,334
NET CARRYING VALUES							
At 31st December 2006	35,867	406,132	150,927	30,616	6,125	—	629,667
At 31st December 2005	34,633	403,846	157,080	25,254	5,138	—	625,951
At 31st December 2004	36,087	409,527	185,467	29,426	6,210	—	666,717

The net carrying values of property, plant and equipment includes an amount of approximately HK$12,098,000, HK$12,822,000 and HK$12,079,000 as at 31st December 2004, 2005 and 2006, respectively, in respect of assets held under finance leases.

The Group has pledged land and buildings having a net carrying value of approximately HK$32,969,000, HK$31,837,000 and HK$33,108,000 as at 31st December 2004, 2005 and 2006, respectively, to secure the bank overdraft granted to the Group.

16. PREPAID LEASE PAYMENTS

The amount represents prepaid lease payments relating to land use rights in the PRC which are held under medium-term leases. Analysis of the carrying amount of prepaid lease payments are as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purpose as:			
— current assets	353	353	353
— non-current assets	14,058	13,704	13,132
	14,411	14,057	13,485

17. INTERESTS IN ASSOCIATES

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in unlisted associates	1,198	1	4,393
Share of post-acquisition (losses) profits, net of dividends received	591	17	(547)
	1,789	18	3,846
Amounts due from associates	6,856	6,867	7,514
	8,645	6,885	11,360
Amounts due to associates	(6,568)	(6,726)	(7,630)
	2,077	159	3,730

The fair value of the Group's amounts due from (to) associates as at each of the balance sheets dates, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at each of the balance sheets dates approximates to the carrying amounts of the receivables/payables.

At the balance sheet dates, the Group had interests in the following principal associates:

Name of entity	Form of business structure	Place of incorporation/ registration/ operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Group %	Proportion of voting power held %	Principal activities
Golden Crown Limited	Incorporated	British Virgin Islands	Ordinary	50	50	Investment holding
W.S. Wong & Sons Investment (Nanchang) Limited	Wholly foreign owned enterprise	PRC	Ordinary	50	50	Investment holding
Wong's Holdings China Investment Limited	Incorporated	Hong Kong	Ordinary	50	50	Investment holding
建大科技股份有限公司	Incorporated	Taiwan	Ordinary	23.6	23.6	Manufacturing of machineries

During the year ended 31st December 2005, the Group disposed of partial equity interest in Leetech International Company Limited ("Leetech"), a limited company incorporated in Taiwan. After the disposal, the investment in Leetech has been re-classified as available-for-sale investments.

During the year ended 31st December 2006, the Group acquired the 23.6% equity interest in 建大科技股份有限公司.

The above table lists the principal associates of the Group which the Group has significant influence and in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	133,065	29,001	39,528
Total liabilities	(17,663)	(15,945)	(15,851)
Net assets	115,402	13,056	23,677
Group's share of net assets of associates	33,095	18	3,846
Revenue	—	—	90
Profit (loss) for the year	1,113	(28)	(2,494)
Group's share of results of associates for the year	175	—	(564)

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 unaudited management accounts of associates, both for the year and cumulatively, are as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Unrecognised share of losses of associates for the year	(8)	(8)	(7)
Accumulated unrecognised share of losses of associates	(576)	(584)	(591)

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

At the balance sheet dates, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation/ registration/ operation	Class of share held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
				%	%	
WKK Source Electronics (HK) Limited (Formerly known as Efficiency Tech Limited)	Incorporated	Hong Kong	Ordinary	50	50	Electronic components manufacturing

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	—	—	5
Share of post-acquisition profits, net of dividends received	—	—	—
	—	—	5
Amount due from a jointly controlled entity	—	—	216
	—	—	221
Amount due to a jointly controlled entity	—	—	(5)
	—	—	216

The fair value of the Group's amount due from (to) a jointly controlled entity at each of the balance sheets dates, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at each of the balance sheets dates approximates to the carrying amounts of the receivables / payables.

The summarised unaudited financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*
Current assets	—	—	10
Non-current assets	—	—	—
Current liabilities	—	—	216
Non-current liabilities	—	—	—
Income	—	—	—
Expenses	—	—	216

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sales investments at each of the balance sheets dates comprise:

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*
Unlisted investments, at cost:			
— equity securities (note a & b)	10,573	26,436	28,150
— club membership (note b)	15,764	14,835	16,100
— club debentures (note b)	490	490	490
— overseas investment funds (note b)	4,021	4,082	4,148
	30,848	45,843	48,888
Less: impairment loss recognised	(8,471)	(7,578)	(7,138)
	22,377	38,265	41,750

Notes:

(a) The above unlisted equity securities represented investments in private entities incorporated in Taiwan, British Virgin Islands and Hong Kong.

(b) The above unlisted investments are measured at cost less impairment at each balance sheets dates because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee company is unsecured, interest free and has no fixed term of repayments. In the opinion of the directors, the amount will not be repaid within the next twelve months from the balance sheet date and therefore the amount is classified as non-current.

The directors consider that the fair value of the amount due from investee company approximates its carrying amount.

21. INVENTORIES

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials and consumables	201,044	211,434	251,175
Work in progress	55,436	72,118	64,888
Finished goods	111,470	205,989	179,426
	367,950	489,541	495,489

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Carried at net realisable values:			
Raw materials and consumables	138,561	102,753	51,435
Work in progress	54,599	63,000	15,071
Finished goods	15,801	15,780	44,775

22. TRADE AND OTHER RECEIVABLES

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	953,992	933,600	1,017,425
Less: Accumulated impairment	(57,491)	(47,482)	(44,588)
	896,501	886,118	972,837
Other receivables	29,218	41,182	20,766
Total trade and other receivables	925,719	927,300	993,603

The Group allows an average credit period of 60 days to its trade customers. In addition, for certain customers with long-established relationship, a longer credit period is granted. The following is an aged analysis of trade receivables net of impairment losses at the respective balance sheet dates:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	316,707	548,339	661,004
31 to 60 days	202,145	127,866	139,341
61 to 90 days	133,801	64,086	52,173
Over 90 days	243,848	145,827	120,319
	896,501	886,118	972,837

The fair value of the Group's trade and other receivables at the respective balance sheet dates approximates to the corresponding carrying amounts.

23. BILLS RECEIVABLE

The bills receivable were all aged within 31 to 60 days from the respective balance sheet dates. The fair value of the Group's bills receivable at the respective balance sheet dates approximates to the corresponding carrying amounts.

24. PLEDGED BANK DEPOSITS

The amounts represented bank deposits pledged to the Custom in Taiwan for the compliance of the custom declaration requirements in Taiwan. The deposits carry interest rate at 1.3%, 1.57% and 2.01% as at 31 December 2004, 2005 and 2006, respectively.

The fair value of the Group's pledged bank deposits at the respective balance sheet dates approximates to the corresponding carrying amounts.

25. TRADE AND OTHER PAYABLES

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	553,357	560,385	523,544
Other payables	204,736	169,738	215,700
Total trade and other payables	758,093	730,123	739,244

The following was aged analysis of trade payables at the respective balance sheet dates:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	204,147	197,629	359,356
31 to 60 days	133,090	86,879	27,712
61 to 90 days	22,055	38,985	12,000
Over 90 days	194,065	236,892	124,476
	553,357	560,385	523,544

The fair value of the Group's trade and other payables at the respective balance sheet dates approximates to the corresponding carrying amounts.

26. BANK BORROWINGS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Secured:			
Bills payable	1,232	—	—
Unsecured:			
Bills payable	286,063	119,246	72,320
Bank loans	364,134	540,055	429,789
	650,197	659,301	502,109
	651,429	659,301	502,109

The above amounts bear interest at prevailing market rates and are repayable as follow:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
On demand or within one year	476,429	421,801	359,609
More than one year, but not exceeding two years	50,000	95,000	95,000
More than two years, but not exceeding three years	125,000	142,500	47,500
	651,429	659,301	502,109
Less: Amounts due within one year shown under current liabilities	(476,429)	(421,801)	(359,609)
Amounts due after one year	175,000	237,500	142,500

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	Currency HKD	Currency USD	Currency YEN	Currency EUR	Currency RMB	Currency TWD
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
As at 31st December 2006	423,848	4,384	541,588	251	6,000	—
As at 31st December 2005	376,268	170,296	719,691	197	—	1,973
As at 31st December 2004	322,912	151,969	1,785,963	626	—	5,432

The bank loans are variable-rate borrowings with effective interest rates (which are also equal to contracted interest rates) ranging from 1.54% to 4%, 1.045% to 5.19% and 4.85% to 6.35% for the year ended 31st December 2004, 2005 and 2006, respectively and denominated in Hong Kong Dollars. Interest is normally re-fixed at every one to six months.

The Group obtained new loans in the amount of approximately HK$88,812,000, HK$453,190,000 and HK$5,941,000 for the year ended 31st December 2004, 2005 and 2006, respectively. The loans bear interest at market rates and will be repayable within the coming three years during the Relevant Periods.

The directors consider that the fair value of bank borrowings approximated to their carrying amount.

As at the respective balance sheet dates, the Group has the following undrawn borrowing facilities:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Floating rate			
— expiring within one year	476,429	421,801	359,609
— expiring beyond one year	175,000	237,500	142,500
	651,429	659,301	502,109

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases						
Within one year	4,797	4,790	3,818	4,315	4,323	3,454
In more than one year but not more than two years	4,796	3,024	393	4,328	2,719	372
In more than two years but not more than three years	3,033	393	—	2,714	373	—
In more than three years but not more than four years	89	—	—	83	—	—
	12,715	8,207	4,211	11,440	7,415	3,826
Less : Future finance charges	(1,275)	(792)	(385)	—	—	—
Present value of lease obligations	11,440	7,415	3,826	11,440	7,415	3,826
Less : Amount due for settlement within one year shown under current liabilities				(4,315)	(4,323)	(3,454)
Amount due for settlement after one year				7,125	3,092	372

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 3 years. The average effective borrowing rate was 4.5% p.a. during the Relevant Periods. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The directors consider that the fair value of the obligations under finance leases approximates their carrying amount.

28. BANK OVERDRAFT — SECURED

The bank overdrafts are secured by the pledge of certain land and buildings (Note 15). The effective interest rate of the secured bank overdrafts at the respective balance sheet dates was 7.75%, 6.75% and 6.75%, respectively.

29. SHARE CAPITAL OF THE COMPANY

	Number of shares	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January 2004, 31st December 2004, 2005 and 2006	1,000,000,000	100,000
Issued and fully paid :		
At 1st January 2004, 31st December 2004 and 2005	692,791,964	69,279
Exercise of share options	15,312,000	1,531
At 31st December 2006	708,103,964	70,810

Neither the Company nor any of the subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Periods.

30. SHAREHOLDERS' LOAN

The loan was unsecured, bore interest rate at commercial rate and has no fixed terms of repayment.

The fair value of the Group's shareholders' loan as at 31st December 2004 approximates to the corresponding carrying amount.

31. DEFERRED TAXATION

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

	Accelerated tax depreciation	**Estimated tax losses**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2004	(2,574)	350	2,280	56
Credit to the income statement for the year	145	293	2,277	2,715
At 31st December 2004 and 1st January 2005	(2,429)	643	4,557	2,771
Charge (credit) to the income statement for the year	651	248	(1,541)	(642)
At 31st December 2005 and 1st January 2006	(1,778)	891	3,016	2,129
Charge (credit) to the income statement for the year	1,350	(891)	1,782	2,241
At 31st December 2006	(428)	—	4,798	4,370

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax asset	4,402	2,872	4,798
Deferred tax liabilities	(1,631)	(743)	(428)
	2,771	2,129	4,370

The Group has unused tax losses of approximately HK$196,000,000, HK$203,000,000 and HK$184,000,000 as at 31 December 2004, 2005 and 2006, respectively, available for offset against future profits. No deferred tax asset has been recognised of such losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of approximately HK$72,000,000, HK$58,000,000 and HK$60,000,000 as at 31 December 2004, 2005 and 2006, that will expire in 2009, 2010 and 2011, respectively. Other tax losses may be carried forward indefinitely.

32. OPERATING LEASE ARRANGEMENT

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payments paid under operating leases during the Relevant Periods:			
— rented premises	9,782	8,830	7,178
— plant, machinery and equipment and motor vehicle	66	54	68
	9,848	8,884	7,246

At the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the rented premises, plant, machinery and equipment and motor vehicle which fall due are as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Within one year	6,359	6,436	8,657
In the second to fifth years inclusive	8,564	4,224	9,384
Over five years	—	—	5,475
	14,923	10,660	23,516

Leases for rented premises, plant, machinery and equipment and motor vehicle are negotiated for an average of five years and rentals are fixed for an average of five years.

33. PLEDGE OF ASSETS

At each of the balance sheet dates, the Group had pledged the following assets to secure the banking facilities, finance lease and Custom requirement:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Land and Buildings	32,969	31,837	33,108
Plant and machinery	12,098	12,822	12,079
Bank deposits	257	257	267
	45,324	44,916	45,454

Note a: At the respective balance sheet dates, the Group had not utilised the banking facilities which secured by the pledged of assets.

34. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 30th May 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 29th May 2015 (the "Scheme"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The number of shares in respect of which options had been granted and remained outstanding under the Scheme was Nil, 66,250,000 and 48,736,000, respectively and representing N/A, 9.56% and 6.88% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee).

Options may be exercised after one year of its grant date, and options will vest (i) as to 25% (rounded down to the nearest whole underlying share) on the first anniversary of its Date of Grant, and (ii) as to the remainder on the second anniversary of its grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

2005 Scheme

For the year ended 31st December 2005

				Number of share options				
Date of grant	**Exercisable period**	**Vesting period**	**Exercise price**	**Outstanding at 1st January 2005**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Outstanding at 31st December 2005**
22.7.2005	22.7.2006 - 21.7.2015	22.7.2005 - 21.7.2006	HK$0.56	—	16,306,000	—	(50,000)	16,256,000
22.7.2005	22.7.2007 - 21.7.2015	22.7.2006 - 21.7.2007	HK$0.56	—	49,094,000	—	(150,000)	48,944,000
26.9.2005	26.9.2006 - 25.9.2015	26.9.2005 - 25.9.2006	HK$0.59	—	258,000	—	—	258,000
26.9.2005	26.9.2007 - 25.9.2015	26.9.2006 - 25.9.2007	HK$0.59	—	792,000	—	—	792,000
				—	66,450,000	—	(200,000)	66,250,000

For the year ended 31st December 2006

				Number of share options				
Date of grant	**Exercisable period**	**Vesting period**	**Exercise price**	**Outstanding at 1st January 2006**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Outstanding at 31st December 2006**
22.7.2005	22.7.2006 - 21.7.2015	22.7.2005 - 21.7.2006	HK$0.56	16,256,000	—	(15,312,000)	(398,000)	546,000
22.7.2005	22.7.2007 - 21.7.2015	22.7.2006 - 21.7.2007	HK$0.56	48,944,000	—	—	(1,804,000)	47,140,000
26.9.2005	26.9.2006 - 25.9.2015	26.9.2005 - 25.9.2006	HK$0.59	258,000	—	—	—	258,000
26.9.2005	26.9.2007 - 25.9.2015	26.9.2006 - 25.9.2007	HK$0.59	792,000	—	—	—	792,000
				66,250,000	—	(15,312,000)	(2,202,000)	48,736,000

The following table discloses movements of the Company' share options held by employees and directors during the Relevant Periods:

For the year ended 31st December 2005

	Exercise price	Number of share options Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Cancelled / lapsed during the year	Outstanding at 31st December 2005
Directors	HK$0.56	—	20,400,000	—	—	20,400,000
Employees	HK$0.56	—	45,000,000	—	(200,000)	44,800,000
	HK$0.59	—	1,050,000	—	—	1,050,000
		—	66,450,000	—	(200,000)	66,250,000

For the year ended 31st December 2006

	Exercise price	Number of share options Outstanding at 1st January 2006	Granted during the year	Exercised during the year	Cancelled / lapsed during the year	Outstanding at 31st December 2006
Directors	HK$0.56	20,400,000	—	(5,100,000)	—	15,300,000
Employees	HK$0.56	44,800,000	—	(10,212,000)	(2,202,000)	32,386,000
	HK$0.59	1,050,000	—	—	—	1,050,000
		66,250,000	—	(15,312,000)	(2,202,000)	48,736,000

During the year ended 31st December 2005, options were granted on 22nd July 2005 and 26th September 2005. The estimated fair values of the options granted on those dates are HK$2,746,000 and HK$33,000 respectively.

These fair values were calculated using the Black-Scholes-Merton Option Pricing Model. The inputs into the model were as follows:

	Date of grant 22.7.2005	26.9.2005
Closing share price on date of grant	HK$0.56	HK$0.58
Exercise price	HK$0.56	HK$0.59
Risk free rate	3.12-3.22%	3.68-3.87%
Expected volatility	8.36%	4.22%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year before the grant date.

The risk free interest rate equals to the 12 months fixed deposits rate as quoted by the bank at the valuation date for 1st 25% share options and equals to yield of 2-year Exchange Fund Notes at the valuation date for 75% share options.

The Group recognised the total expense of approximately Nil, HK$717,000 and HK$1,496,000 for the year ended 31st December 2004, 2005 and 2006, respectively in relation to share options granted by the Company in 2005 and became vested during the years ended 31st December 2005 and 2006.

35. RETIREMENT BENEFITS SCHEMES

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Retirement benefits obligations:			
— Defined contribution plans	(1,638)	(1,351)	(1,692)
— Defined benefits plans	92	(323)	(270)
	(1,546)	(1,674)	(1,962)

Defined contribution plans

The Group participates in both a pension scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established in December 2000 for all qualifying employees in Hong Kong. The schemes are defined contribution retirement schemes administered by independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December 2000 are required to join either scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC.

The employer and employees under the schemes are each required to make contributions at a specific rate. The only obligation of the Group with respect to the Schemes is to make the required contributions.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner was approximately HK$497,000, HK$369,000 and HK$92,000 during the year ended 31st December 2004, 2005 and 2006, respectively.

At the respectively balance sheet dates, there are no significant forfeited contributions, which arose upon employees leaving the retirement benefits schemes and which are available to reduce the contributions payable by the Group in future years.

The total employer's contribution to the above retirement schemes and other local arrangement charged to the consolidated income statements, net of forfeited contribution amounted to approximately HK$6,442,000, HK$5,120,000 and HK$5,828,000 for the year ended 31st December 2004, 2005 and 2006, respectively.

Defined benefit plans

The Group operates defined benefit plans for qualifying employees of its subsidiary in Taiwan. The schemes are administrated by independent trustees with their assets held separately from those of the Group. Under the plans, the employees are entitled to a lump sum benefit equal to certain percentage of final salary on attainment of a retirement age of 55. No other post-retirement benefits are provided.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31st December 2006 by a local qualified actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The actuarial valuation showed that the market value of plan assets was approximately HK$5,292,000, HK$5,719,000 and HK$6,093,000 as at 31st December 2004, 2005 and 2006, respectively and that the actuarial valuation of these assets represented 58%, 50% and 51% of the benefits that had accrued to members at the respectively balance sheet dates. The shortfall of approximately HK$3,776,000, HK$5,742,000 and HK$6,093,000 for the year ended 31st December 2004, 2005 and 2006 is to be cleared over the estimated remaining service period of the current membership of 21 years.

Amounts recognised in the consolidated income statements in respect of these defined benefits plans are as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Current service cost	795	529	291
Interest cost	263	273	293
Expected loss on plan assets	(117)	(151)	(152)
Amortisation of net transitional obligations	15	15	16
Amortisation of gain on defined benefit plans	14	24	57
Amortisation of past service cost	164	161	165
	1,134	851	670

The charge for the Relevant Periods has been included in staff costs.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2004	**2005**	**2006**
Discount rate	3%	2.5%	2.5%
Expected return on plan assets	3%	2.5%	2.5%
Expected return on reimbursement rights	3%	2.5%	2.5%
Expected rate of salary increases	3.5%	3.5%	3.5%

The amount included in the Financial Information arising from the Group's obligations in respect of its defined benefit retirement plans is as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Present value of funded defined benefit obligations	(9,067)	(11,461)	(11,886)
Fair value of plan assets	5,292	5,719	6,093
	(3,775)	(5,742)	(5,793)
Present value of unfunded defined benefit obligations	—	—	—
Deficit	(3,775)	(5,742)	(5,793)
Net actuarial losses not recognised	484	2,260	2,468
Past service cost not recognised	3,108	2,903	2,808
Net transitional obligations not recognised	275	256	247
Net liabilities arising from defined benefit obligation	92	(323)	(270)

Movements in the present value of the defined benefit obligations in the Relevant Periods were as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Opening defined benefit obligation	(8,294)	(9,067)	(11,461)
Current service cost	(795)	(529)	(291)
Interest cost	(263)	(273)	(293)
Actuarial losses	773	(1,718)	(146)
Exchange differences on foreign plans	(488)	126	(277)
Benefits paid	—	—	582
Closing defined benefit obligation	(9,067)	(11,461)	(11,886)

Movements in the present value of the plan assets in the Relevant Periods were as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Opening fair value of plan assets	3,337	5,292	5,719
Expected return on plan assets	118	151	152
Actuarial gains (losses)	(99)	(89)	(64)
Exchange differences on foreign plans	196	(73)	138
Contributions from the employer	1,740	438	730
Benefits paid	—	—	(582)
Closing fair value of plan assets	5,292	5,719	6,093

The major categories of plan assets, and the expected rate of return at the respective balance sheet dates for each category, are as follows:

	Fair value of plan assets		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Fair value of plan assets	5,292	5,719	6,093

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held, which is not less than 2% per annum at the respective balance sheet dates.

The actual return on plan assets was HK$18,130, HK$63,000 and HK$88,000 for the year ended 31st December 2004, 2005 and 2006, respectively.

The history of experience adjustments is as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Present value of defined benefit obligation	(9,067)	(11,461)	(11,886)
Fair value of plan assets	5,292	5,719	6,093
Deficit	(3,775)	(5,742)	(5,793)
Experience adjustment on plan liabilities	—	—	—
Experience adjustment on plan assets	—	—	—

The Group expects to make a contribution of approximately HK$432,000, HK$438,000 and HK$738,000 at the respective balance sheet dates to the defined benefit plans during the next financial year.

36. CAPITAL COMMITMENTS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the Financial Information	157	—	—

37. ACQUISITION OF A SUBSIDIARY

In 2004, the Group acquired 100% of the equity interest in 東莞湖豪電子有限公司 for a cash consideration of HK$500,000. This transaction has been accounted for by the purchase method of accounting.

	2004
	HK$'000
Net assets acquired:	
Bank balances and cash	500
Satisfied by:	
Cash	500
Net cash inflow arising on acquisition:	
Cash consideration	500
Bank balances and cash acquired	(500)
	—

38. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of directors and other numbers of key management during the Relevant Periods was as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Short-term benefits	24,623	29,806	40,248
Share based payment	—	222	358
Post-employment benefits	759	759	858
	25,382	30,787	41,464

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(b) **During the Relevant Periods, the Group has entered into the following transactions with related parties:**

	Year ended 31st December			Amounts due from (to) related parties		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade sales (note a)	5,692	88	3,226	313	18	211
Ticketing and touring income (note a)	2,241	2,229	1,407	502	316	288
Ticketing and touring income (note b)	417	740	608	44	138	83
Ticketing and touring income (note c)	78	36	26	11	—	—
Trade purchases (note d)	(9,638)	(9)	—	(305)	—	—
Insurance expense (note c)	4,685	5,817	6,062	(286)	(311)	(226)
Rental expense (note a)	290	290	290	—	—	—
Loan interest expense (note a)	814	483	—	(1,211)	—	—

The amounts due from (to) related parties were included in the trade receivables and payables at the respective balance sheet dates. The balances were unsecured and interest free.

Notes:

(a) Related parties are Mr. Senta Wong, his close family members and companies of which Mr. Senta Wong and his close family members are directors.

(b) Related parties are Mr. John Ho or Mr. Edward Tsui and their close family members.

(c) Related party is a Company of which Mr. Arthur Luk, a director of a subsidiary of the Group in Taiwan, is a director.

(d) Related party is a Company which is a supervisor of a subsidiary of the Group in Taiwan.

The prices of the above transactions were determined by the Directors by reference to market prices for similar transactions.

(c) Pursuant to the banking facilities letter entered during 2006, Mr. Senta Wong provided guarantees in favour of The Shanghai Commercial and Savings Bank Limited of approximately US$1,900,000 to secure certain banking facilities granted to the Group.

39. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2004, the Group entered into finance lease arrangements in respect of assets with a total value at the inception of the lease of approximately HK$13,137,000.

40. POST BALANCE SHEET EVENT

On 11th April 2007, the Company received an offer letter from Twopac Limited ("Twopac") offering to purchase substantially all the operating businesses and assets of the Group (the "Target Assets") for a consideration of approximately HK$1,169,698,000. The consideration will be settled partly in cash as to approximately HK$383,213,000 and partly by the issue of promissory note in the principal amount of approximately HK$786,485,000 by Twopac to the Company. It is a condition precedent to completion of the sale and purchase of the Target Assets (the "Disposal") that an internal group reorganisation be implemented so that the Target Assets are injected into a special purpose vehicle, and the VSD will be effected through the acquisition of the entire issued share capital of such special purpose vehicle. On 22 May 2007, the Company received a letter from Twopac confirming that they have waived this condition.

Mr. Senta Wong has a controlling interest in Twopac and is a substantial shareholder and director of the Company. The Disposal constitutes a very substantial disposal and a connected transaction under Charters 14 and 14A of the Listing Rules and is subject to the disclosure, reporting and Independent Shareholders' approval requirement under the Listing Rules. Upon completion of the Disposal, the Remaining Group would declare a distribution in favour of the shareholder of the entire amount of the consideration of approximately HK$1,169,698,000 of which the promissory note in amount of approximately HK$786,485,000 would be distributed to the Interested Shareholders, and the amount of approximately HK$383,213,000 in cash would be distributed to the Independent Shareholders of the Group.

Following completion of the Disposal and the Proposed Distribution, it is not anticipated that any material assets will remain in the Group. Accordingly, the listing of the shares of the Company on the Hong Kong Stock Exchange will be withdrawn, and the Company and all its remaining subsidiaries will be wound up.

The combined income statements, balance sheets and cash flow statements of the Target Assets are as follows:

Combined Income Statements

	Year ended 31st December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	4,279,844	4,641,372	5,011,863
Investment income	4,853	7,942	7,946
Changes in inventories of finished goods and work in progress	48,239	111,201	(39,671)
Raw materials and consumables used	(1,949,497)	(2,523,581)	(2,317,695)
Purchases of finished goods	(1,558,094)	(1,307,664)	(1,562,648)
Employee benefit expenses	(304,843)	(337,729)	(396,876)
Depreciation and amortisation expenses	(54,873)	(64,732)	(61,241)
Other operating expenses	(262,736)	(272,352)	(249,935)
Finance costs	(29,210)	(39,959)	(36,383)
Impairment loss recognised in respect of land and buildings	(5,241)	—	(15,682)
Impairment loss recognised in respect of available-for-sale investments	(2,127)	(327)	—
Allowance for doubtful debts on amounts due from investee companies	(2,362)	—	—
Gain on disposal of partial interest in a subsidiary	—	21,539	—
Share of results of associates	175	—	(564)
Loss on disposal of an associate	—	(227)	—
Profit before taxation	164,128	235,483	339,114
Income tax expense	(29,431)	(35,765)	(67,717)
Profit for the year	134,697	199,718	271,397
Attributable to:			
Equity holders of the parent company	122,519	180,609	250,093
Minority interests	12,178	19,109	21,304
	134,697	199,718	271,397
Dividends	20,784	38,104	10,622

Combined Balance Sheets

	At 31st December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	666,717	625,951	629,667
Prepaid lease payments — due after one year	14,058	13,704	13,132
Interests in associates	2,077	159	3,730
Interest in a jointly controlled entity	—	—	216
Available-for-sale investments	22,377	38,265	41,750
Amount due from an investee company	1,444	1,444	1,444
Retirement benefit assets	92	—	—
Deferred tax assets	4,402	2,872	4,798
	711,167	682,395	694,737
Current assets			
Inventories	367,950	489,541	495,489
Prepaid lease payments — due within one year	353	353	353
Trade and other receivables	925,719	927,300	993,603
Bills receivable	2,454	1,077	—
Deposits and prepayments	18,094	17,582	24,260
Tax recoverable	870	116	1,701
Pledged bank deposits	257	257	267
Bank balances and cash	169,229	200,611	218,426
	1,484,926	1,636,837	1,734,099
Current liabilities			
Trade and other payables	758,093	730,123	739,244
Tax liabilities	20,779	21,829	42,089
Bank borrowings — due within one year	476,429	421,801	359,609
Obligations under finance leases — due within one year	4,315	4,323	3,454
Bank overdraft — secured	6,672	198	5,831
	1,266,288	1,178,274	1,150,227
Net current assets	218,638	458,563	583,872
Total assets less current liabilities	929,805	1,140,958	1,278,609

	At 31st December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Capital and reserves			
Equity attributable to equity holders of the parent company	674,920	832,161	1,060,173
Minority interests	39,583	65,788	73,174
Total equity	714,503	897,949	1,133,347
Non-current liabilities			
Shareholders' loan	30,000	—	—
Deferred tax liabilities	1,631	743	428
Bank borrowings — due after one year	175,000	237,500	142,500
Obligations under finance leases — due after one year	7,125	3,092	372
Retirement benefit obligations	1,546	1,674	1,962
	215,302	243,009	145,262
	929,805	1,140,958	1,278,609

Combined Cash Flow Statements

	Year ended 31st December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	164,128	235,483	339,114
Adjustments for:			
Finance costs	29,210	39,959	36,383
Interest income	(1,394)	(1,461)	(3,242)
Dividends income from available-for-sale investments	(3,439)	(6,481)	(4,704)
Depreciation of property, plant and equipment	54,519	64,378	60,669
Amortisation of prepaid lease payments	354	353	572
Share-based payment expense	—	717	1,496
Impairment loss recognised in respect of available-for-sale investments	2,127	327	—
Provision for loss in respect of a litigation claim	300	—	—
Loss on disposal of an associate	—	227	—
Gain on disposal of partial interest in a subsidiary	—	(21,539)	—
Gain on disposal of available-for-sale investments	(20)	—	—
Allowance for doubtful debts on amount due from an investee company	2,362	—	—
(Gain) loss on disposal of property, plant and equipment	(483)	284	(237)
Share of results of associates	(175)	—	564
Impairment loss recognised in respect of land and buildings	5,241	—	15,682
Operating cash flows before movements in working capital	252,730	312,247	446,297
Increase in inventories	(103,708)	(121,591)	(5,948)
Increase in trade and other receivables	(206,940)	(1,581)	(66,303)
Decrease in bills receivable	1,588	1,377	1,077
Decrease (increase) in deposits and prepayments	4,566	512	(6,669)
Increase in retirement benefit obligations	968	220	288
Increase (decrease) in trade and other payables	114,805	(27,970)	9,121
Increase (decrease) in bills payable	45,495	(166,817)	(46,926)
Cash generated from (used in) operations	109,504	(3,603)	330,937
Income taxes paid	(21,246)	(33,319)	(51,283)
Net cash from (used in) operating activities	88,258	(36,922)	279,654

	Year ended 31st December		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	
Net cash from (used in) operating activities	88,258	(36,922)	279,654
Investing activities			
Interest received	1,394	1,461	3,242
Dividends income from available-for-sale investments	3,439	6,481	4,704
Advance to a jointly controlled entity	—	—	(211)
Purchase of property, plant and equipment	(35,423)	(25,878)	(78,817)
Proceeds from disposal of property, plant and equipment	3,726	1,424	1,401
Purchase of available-for-sale investments	(4,021)	(16,215)	(3,485)
Proceeds from disposal of associates	—	1,544	—
Proceeds from disposal of partial interest in a subsidiary	—	21,539	—
Acquisition of interest in an associate	—	—	(4,392)
Proceeds from disposal of available-for-sale investments	80	—	—
(Repayment to) advanced from interests in associates	(11)	147	257
Acquisition of interest in a jointly controlled entity	—	—	(5)
Increase in pledged bank deposits	(19)	—	(10)
Net cash used in investing activities	(30,835)	(9,497)	(77,316)
Financing activities			
Dividends paid	(6,928)	(24,248)	(38,334)
Interest paid	(29,210)	(39,959)	(36,383)
Dividends paid to minority shareholders	(6,607)	(13,677)	(19,028)
New bank loans raised	88,812	453,190	5,941
Proceeds from issue of ordinary share upon exercise of share options	—	—	8,575
Repayment of shareholders' loan	—	(30,000)	—
Repayment of bank loans	(44,500)	(278,501)	(116,207)
Repayment of obligations under finance leases	(2,238)	(4,025)	(3,589)
Capital contributions from minority shareholders of subsidiaries	1,661	20,773	5,110
Net cash from (used in) financing activities	990	83,553	(193,915)
Net increase in cash and cash equivalents	58,413	37,134	8,423
Cash and cash equivalents as 1st January	98,162	162,557	200,413
Effect of foreign exchange rate changes	5,982	722	3,759
Cash and cash equivalents at 31st December	162,557	200,413	212,595
Analysis of the balances of cash and cash equivalents, represented by:			
Bank balances and cash	169,229	200,611	218,426
Bank overdraft - secured	(6,672)	(198)	(5,831)
	162,557	200,413	212,595

This Financial Information presents the combined turnover, results, cashflows and net assets for the Relevant Periods of the Target Assets on completion of the Disposal, as if the Disposal had been completed at the beginning of the Relevant Periods.

41. SUBSEQUENT FINANCIAL INFORMATION

No audited financial information has been prepared by the Group in respect of any periods subsequent to 31st December 2006.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
4th June 2007

The following is a summary of an illustrative and unaudited pro forma consolidated balance sheet, pro forma consolidated income statement and pro forma consolidated cash flow statement of the Remaining Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed disposal of substantially all the operating businesses and assets of the Company and the Proposed Distribution as if the Transfer and the Proposed Distribution had taken place on 31st December 2006 for the pro forma consolidated balance sheet and as if the Transfer and the Proposed Distribution had taken place on 1st January 2006 for the pro forma consolidated income statement and pro forma consolidated cash flow statement. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, may not give a true picture of the financial position, results and cash flow of the Remaining Group had the Transfer and the Proposed Distribution been completed as at 1st January 2006, 31st December 2006, or at any future dates.

1. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF DISPOSAL

(A) Introduction

The unaudited pro forma assets and liabilities statement of the Remaining Group has been prepared to illustrate the effect of the Disposal.

The unaudited pro forma assets and liabilities statement of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as at 31st December 2006 as if the Disposal took place on 31st December 2006. The statement has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Remaining Group had the Disposal been completed as at 31st December 2006 or any future date.

The unaudited pro forma assets and liabilities statement of the Remaining Group is prepared based on the audited consolidated balance sheet of the Group as at 31st December 2006, which has been extracted from the published annual report of the Group as at 31st December 2006 set out in Appendix I to this Circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma assets and liabilities statement of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma assets and liabilities statement of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 31st December 2006. The unaudited pro forma assets and liabilities statement of the Remaining Group does not purport to predict the future financial position of the Remaining Group.

The unaudited pro forma assets and liabilities statement of the Remaining Group should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended 31st December 2006 set out in Appendix I to this Circular and other financial information included elsewhere in this Circular.

(B) **Unaudited pro forma consolidated balance sheet of the Remaining Group**

	The Group as at 31st December 2006	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Subtotal	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		
Non-current assets							
Property, plant and equipment	629,667	(629,667)				(629,667)	—
Prepaid lease payments — due after one year	13,132	(13,132)				(13,132)	—
Interests in associates	3,730	(3,730)				(3,730)	—
Interest in a jointly controlled entity	216	(216)				(216)	—
Available-for-sale investments	41,750	(41,750)				(41,750)	—
Amount due from an investee company	1,444	(1,444)				(1,444)	—
Deferred tax assets	4,798	(4,798)				(4,798)	—
	694,737						—
Current assets							
Inventories	495,489	(495,489)				(495,489)	—
Prepaid lease payments — due within one year	353	(353)				(353)	—
Trade and other receivables	993,603	(993,603)				(993,603)	—
Deposits and prepayments	24,260	(24,260)				(24,260)	—
Tax recoverable	1,701	(1,701)				(1,701)	—
Promissory note receivables	—	—	786,485	(786,485)		—	—
Pledged bank deposits	267	(267)				(267)	—
Bank balances and cash	218,497	(218,426)	383,213	(383,213)		(218,426)	71
	1,734,170						71
Current liabilities							
Trade and other payables	739,244	(739,244)				(739,244)	—
Tax liabilities	42,089	(42,089)				(42,089)	—
Bank borrowings — due within one year	359,609	(359,609)				(359,609)	—

	The Group as at 31st December 2006	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Subtotal	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		
Obligations under finance leases — due within one year	3,454	(3,454)				(3,454)	—
Bank overdraft — secured	5,831	(5,831)				(5,831)	—
	1,150,227						—
Net current assets	583,943						71
Total assets less current liabilities	1,278,680						71
Capital and reserves							
Share capital	70,810				(70,739)	(70,739)	71
Reserves	989,434	—	109,525	(1,169,698)	70,739	(989,434)	—
Equity attributable to equity holders of the parent company	1,060,244						71
Minority interests	73,174	(73,174)				(73,174)	—
Total equity	1,133,418						71
Non-current liabilities							
Deferred tax liabilities	428	(428)				(428)	—
Bank borrowings - due after one year	142,500	(142,500)				(142,500)	—
Obligations under finance leases - due after one year	372	(372)				(372)	—
Retirement benefit obligations	1,962	(1,962)				(1,962)	—
	145,262						71
	1,278,680						71

Notes:

1. The balances have been extracted without adjustment from the Accountants' Report of Wong's Kong King International (Holdings) Limited as at 31st December 2006 as set out in Appendix I to this Circular.

2. The adjustment relates to the assets and liabilities disposed of assuming the Disposal had taken place on 31st December 2006. For the purpose of the unaudited pro forma consolidated balance sheet, the amounts of assets and liabilities disposed of are based on the financial information of the Wong's Kong King International (Holdings) Limited as at 31st December 2006 as set out in Appendix I to this Circular.

3. The adjustment reflects the total consideration for the Disposal of HK$1,169,698,141 which is to be settled partly in cash as to HK$383,213,335 and partly by the issue of promissory note of HK$786,484,806 by Twopac to the Company. An estimated gain of approximately HK$109,525,000 would arise, assuming that the Disposal had taken place on 31st December 2006.

4. After the completion of the Disposal, the Company proposes to declare and distribute a special dividend in favour of the shareholders of the entire amount of the consideration of HK$1,169,698,141 from the Disposal. Pursuant to the proposed distribution, the promissory note in the amount of HK$786,484,806 will be distributed to the Interest Shareholders and an amount of HK$383,213,335 will be distributed to the Independent Shareholders of the Company in cash.

5. The capital reduction of Wong's Kong King International (Holdings) Limited will involve:

   a. the nominal value of share capital will be reduced from HK$0.10 to HK$0.0001 each by cancelling the paid-up capital of HK$0.0999 on each share;

   b. the authorised share capital of Wong's Kong King International (Holdings) Limited of HK$100,000,000, divided into 1,000,000,000 share of HK$0.10 each will be reduced to HK$100,000, divided into 1,000,000,000 new shares of HK$0.0001 each;

   c. the reduction of the share premium account of Wong's Kong King International (Holdings) Limited to zero. As at the Latest Practicable Date, there was approximately HK$75,508,254 in the share premium account. If all of the 112,000 Option vested as at the Latest Practicable Date are exercised in full, there will be approximately HK$75,563,134 in the share premium account; and

   d. the credit arising from the Capital Reduction will be credited to the contributed surplus account of Wong's Kong King International (Holdings) Limited.

2. UNAUDITED PRO FORMA INCOME STATEMENT AND UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF DISPOSAL

(A) Introduction

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been prepared to illustrate the effect of the Disposal.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had taken place on 1st January 2006. The statements have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and the cash flow of the Remaining Group had the Disposal been completed at 1st January 2006 or any future period.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group are prepared based on the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31st December 2006, which have been extracted from the published annual report of the Group for the year ended 31st December 2006 set out in Appendix I to this Circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Remaining Group; and (iii) factually supportable.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group do not purport to describe the actual results and cash flow of the Remaining Group that would have been attained had the Disposal been completed at the beginning of the year ended 31st December 2006 or to predict the future results and cash flow of the Remaining Group.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31st December 2006 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

(B) **Unaudited pro forma, consolidated income statement for the year ended 31st December 2006**

	The Group for the year ended 31st December 2006	Pro forma adjustment	Pro forma adjustment	Subtotal	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		
Turnover	5,011,863	(5,011,863)		(5,011,863)	—
Investment income	7,946	(7,946)		(7,946)	—
Changes in inventories of finished goods and work in progress	(39,671)	39,671		39,671	—
Raw materials and consumables used	(2,317,695)	2,317,695		2,317,695	—
Purchases of finished goods	(1,562,648)	1,562,648		1,562,648	—
Employee benefit expenses	(396,876)	396,876		396,876	—
Depreciation and amortisation expenses	(61,241)	61,241		61,241	—
Other operating expenses	(249,935)	249,935		249,935	—
Finance costs	(36,383)	36,383		36,383	—
Impairment loss recognised in respect of properties	(15,682)	15,682		15,682	—
Share of results of associates	(564)	564		564	—
Gain on disposal of Target Assets	—	337,466		337,466	337,466
Profit before taxation	339,114				337,466
Income tax expense	(67,717)	67,717		67,717	—
Profit for the year	271,397				337,466
Attributable to:					
Equity holders of the parent company	250,093	87,373		87,373	337,466
Minority interests	21,304	(21,304)		(21,304)	—
	271,397				337,466
Dividends					
Interim	10,622	(10,622)		(10,622)	—
Proposed distribution	—		(1,169,698)	(1,169,698)	(1,169,698)
	10,622				(1,169,698)

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Wong's Kong King International (Holdings) Limited for the twelve months ended 31st December 2006 set out in Appendix I to this Circular.

2. The adjustment reflects the results of the Target Assets for the year ended 31st December 2006 assuming that the Disposal had taken place on 1st January 2006. For the purpose of the unaudited pro forma consolidated income statement, the results of the Target Assets are based on the financial information for the twelve months ended 31st December 2006 as set out in Appendix I to this Circular. Assuming that the Disposal had taken place on 1st January 2006, there would be an estimated gain of approximately HK$337,466,000.

3. Following the completion of the Disposal, the Company proposes to declare and distribute a special dividend in favour of the Shareholders of the entire amount of the consideration of HK$1,169,698,141 from the Disposal. Pursuant to the Proposed Distribution, the promissory note in the amount of HK$786,484,806 will be distributed to the Interested Shareholders, and an amount of HK$383,213,335 will be distributed to the Independent Shareholders in cash.

4. Except for the Disposal, no adjustment has been made to reflect any trading result or other transaction of the Group or the Target Assets entered into subsequent to 31st December 2006.

(C) Unaudited pro forma consolidated cash flow statement for the year ended 31st December 2006

	The Group for the year ended 31st December 2006	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Operating activities					
Profit before taxation	339,114	(339,114)	—	—	—
Adjustments for:					
Finance costs	36,383	(36,383)	—	—	—
Interest income	(3,242)	3,242	—	—	—
Dividends income from available-for-sale investments	(4,704)	4,704	—	—	—
Depreciation of property, plant and equipment	60,669	(60,669)	—	—	—
Amortisation of prepaid lease payments	572	(572)	—	—	—
Share-based payment expense	1,496	(1,496)	—	—	—
Gain on disposal of property, plant and equipment	(237)	237	—	—	—
Share of results of associates	564	(564)	—	—	—
Impairment loss recognised in respect of properties	15,682	(15,682)	—	—	—
Operating cash flows before movements in working capital	446,297				—
Increase in inventories	(5,948)	5,948	—	—	—
Increase in trade and other receivables	(66,303)	66,303	—	—	—
Decrease in bills receivable	1,077	(1,077)	—	—	—
Increase in deposits and prepayments	(6,669)	6,669	—	—	—
Increase in retirement benefit obligations	288	(288)	—	—	—
Increase in trade and other payables	9,121	(9,121)	—	—	—
Decrease in bills payable	(46,926)	46,926	—	—	—
Cash generated from operations	330,937				—
Income taxes paid	(51,283)	51,283	—	—	—
Net cash from operating activities	279,654				—

	The Group for the year ended 31st December 2006	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Investing activities					
Interest received	3,242	(3,242)	—	—	—
Dividends income from available-for-sale investments	4,704	(4,704)	—	—	—
Advance to a jointly controlled entity	(211)	211	—	—	—
Purchase of property, plant and equipment	(78,817)	78,817	—	—	—
Proceeds from disposal of property, plant and equipment	1,401	(1,401)	—	—	—
Purchase of available-for-sale investments	(3,485)	3,485	—	—	—
Acquisition of interest in an associate	(4,392)	4,392	—	—	—
Advanced from associates	257	(257)	—	—	—
Acquisition of interest in a jointly controlled entity	(5)	5	—	—	—
Increase in pledged bank deposits	(10)	10	—	—	—
Proceeds from disposal of Target Assets	—	—	383,213	—	383,213
Net cash used in investing activities	(77,316)				383,213
Financing activities					
Dividends paid	(38,334)	38,334	—	(383,213)	(383,213)
Interest paid	(36,383)	36,383	—	—	—
Dividends paid to minority shareholders	(19,028)	19,028	—	—	—
New bank loans raised	5,941	(5,941)	—	—	—
Proceeds from issue of ordinary share upon exercise of share options	8,575	(8,575)	—	—	—
Repayment of bank loans	(116,207)	116,207	—	—	—
Repayment of obligations under finance leases	(3,589)	3,589	—	—	—
Capital contributions from minority shareholders of subsidiaries	5,110	(5,110)	—	—	—
Net cash used in financing activities	(193,915)				(383,213)

	The Group for the year ended 31st December 2006	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Net increase in cash and cash equivalents	8,423				—
Cash and cash equivalents as 1st January	200,484	(200,413)			71
Effect of foreign exchange rate changes	3,759	(3,759)			—
Cash and cash equivalents at 31st December	212,666				71
Analysis of the balances of cash and cash equivalents, represented by:					
Bank balances and cash	218,497	(218,426)	383,213	(383,213)	71
Bank overdraft — secured	(5,831)	5,831			—
	212,666				71

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Wong's Kong King International (Holdings) Limited for the twelve months ended 31st December 2006 as set out in Appendix I in this Circular.

2. The adjustment reflects the cash flows of the Target Assets for the year ended 31st December 2006 assuming that the Disposal had taken place on 1st January 2006. For the purpose of the unaudited pro forma cash flow statements, the cash flows of the Target Assets to be disposed of are based on the financial information of Wong's Kong King International (Holdings) Limited for the twelve months ended 31st December 2006 as set out in Appendix I to this Circular.

3. The adjustment reflects the cash consideration of HK$383,213,335 for the Disposal as if the Disposal had taken place on 1st January 2006. The remaining balance of the consideration of HK$786,484,806 would be settled by the issue of a promissory note, which is a non-cash item, by Twopac Limited to Wong's Kong King International (Holdings) Limited.

4. Following the completion of the Disposal, the Company proposes to declare and distribute a special dividend in favour of the Shareholders of the entire amount of the consideration of HK$1,169,698,141 from the Disposal. Pursuant to the Proposed Distribution, the promissory note in the amount of HK$786,484,806 will be distributed to the Interested Shareholders, and an amount of HK$383,213,335 will be distributed to the Independent Shareholders of the Wong's Kong King International (Holdings) Limited in cash.

5. Except for the Disposal, no adjustment has been made to reflect any trading result or other transaction of the Group or the Target Assets entered into subsequent to 31st December 2006.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

We report on the unaudited pro forma financial information of Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix II (the "Unaudited Pro Forma Financial Information") of the circular dated 4 June 2007 (the "Circular") in connection with the very substantial disposal whereby the Group through its special purpose vehicle, will disposal of substantially all the operating businesses and assets of the Group, which include the business of distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for OEM customers (the "Disposal"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Disposal might have affected the financial information presented.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified PublicAccountants.

It is our responsibility to form an opinion, as require by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Remaining Group as at 31st December 2006 or at any future date; and

— the results and cash flows of the Remaining Group for the year ended 31st December 2006 or any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
4th June 2007

(A) INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2007, being the latest practicable date of ascertaining certain information relating to this indebtedness statement, the Group had outstanding secured and unsecured borrowings of approximately HK$570,438,000. The borrowings comprised unsecured bank loans of approximately HK$457,582,000, secured bank overdrafts of approximately HK$5,532,000 and unsecured trust receipt loans of approximately HK$107,324,000. In addition, the Group had outstanding at that date obligations under finance leases of approximately HK$2,725,000.

Pledge of assets and guarantees

As at the close of business on 31 March 2007, certain property, plant and equipment with net carrying values of approximately HK$43,379,000 were pledged to secure the Group's banking facilities and bank deposits of approximately HK$262,000 was pledged to secure the Custom declaration requirements of the Group.

As at the close of business on 31 March 2007, the Group had unexpired standby letters of credit and bank guarantee letters issued totalled HK$21,632,000.

Contingent liabilities

At the close of business on 31 March 2007, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 March 2007, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 March 2007.

(B) MATERIAL CHANGE

The Board is not aware of any material changes in the financial or trading position or prospects of the Company subsequent to, the date to which the latest audited consolidated financial statements of the Company were made up.

(C) WORKING CAPITAL

Having made due and careful enquiries, the Directors are of the opinion that, based on the Remaining Group's internal resources, the Remaining Group has sufficient working capital for its requirements for the next 12 months in the absence of unforeseen material circumstances.

1 RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2 INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) The Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying Shares (share options)	Total Interests (including underlying shares) as % of the share capital
Senta Wong	1,000,000	1,578,000	122,012,723 *(Note 1)*	207,800,000 *(Note 2)*	332,390,723	46.90	3,000,000	47.31
Edward Ying-Chun Tsui	7,277,920	—	—	—	7,277,920	1.03	3,000,000	1.45
Byron Shu-Chan Ho	2,470,000	360,000	—	—	2,830,000	0.40	3,000,000	0.82
Bengie Man-Hang Kwong	3,150,000	—	—	—	3,150,000	0.44	2,250,000	0.76
Hamed Hassan EL-ABD	750,000	—	—	—	750,000	0.11	2,250,000	0.42
Peter Chung-Yin Lee	150,000	—	—	—	150,000	0.02	450,000	0.08
John Ho	150,000	—	—	—	150,000	0.02	450,000	0.08
Philip Wan-Chung Tse	150,000	—	—	—	150,000	0.02	450,000	0.08
Gene Howard Weiner	330,000	—	—	—	330,000	0.05	450,000	0.11

Notes:

1. 122,012,723 shares were registered in the name of Wonder Luck International Limited, which was wholly owned by Senta Wong (BVI) Limited. The entire issued share capital of Senta Wong (BVI) Limited is 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Ms Wong Wu Lai Ming. The references to 122,012,723 shares deemed to be interested by Mr. Senta Wong (as disclosed herein) and Senta Wong (BVI) Limited (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.

2. 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein). Greatfamily Inc. and Greatguy Inc. (as disclosed in the section headed "Interests of substantial shareholders") and Batsford Limited (as disclosed in Note 1(a) under the section headed "Interests of substantial shareholders") relate to the same block of shares.

(B) Associated Corporations

Name	Associated corporation	Capacity	Number of shares held	Percentage of total issued shares %
Senta Wong	Golden Crown Limited	Beneficial owner	25	12.5

3 INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company has been notified that, as at the Latest Practicable Date, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of total issued shares %
Batsford Limited	Founder of discretionary trust and trustee *(Note 1)*	238,413,332	33.64
Greatfamily Inc.	Interest of controlled corporation *(Note 2)*	207,800,000	29.32
Greatguy Inc.	Trustee *(Note 2)*	207,800,000	29.32
Senta Wong (BVI) Limited	Interest of controlled corporation *(Note 3)*	122,012,723	17.21
Wong Chung Yin	Beneficial owner, interest of child or spouse and founder of discretionary trust *(Note 4)*	69,697,251	9.83
HSBC International Trustee Limited	Interest of controlled corporations	70,680,284	9.97

Notes:

1. Batsford Limited was deemed (by virtue of the SFO) to be interested in 238,413,332 shares in the Company. These shares were held in the following capacity:

   (a) 207,800,000 shares were registered in name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). Please see Note 2 under the section headed "Interests of Directors".

   (b) 30,613,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). The references to 30,613,332 shares deemed to be interested by Batsford Limited (as disclosed herein), Mr. Wong Chung Yin (as disclosed in Note 4(c) below) relate to the same block of shares.

2. Please see Note 2 under the section headed "Interests of Directors".

3. Please see Note 1 under the section headed "Interests of Directors".

4. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 69,697,251 shares in the Company. These shares were held in the following capacity:

   (a) 3,500,000 shares were held by Mr. Wong Chung Yin personally.

   (b) 2,000,000 shares were held under the name of Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.

   (c) 30,613,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). Please see Note 1(b) above.

   (d) 33,583,919 shares were held for The Pacific Way Unit Trust, of which Guardian Trustee Limited was regarded as the beneficiary (by virtue of the SFO). Mr. Wong Chung Yin was regarded as the founder of the trust (by virtue of the SFO) in relation to the same block of shares.

Save as disclosed, the Directors are not aware of any other persons who, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4 DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, there is no contract or arrangement for which any Director is materially interested and which is significant in relation to the Company.

5 DIRECTORS' SERVICE CONTRACTS AND INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company or any expert as named in this Circular had any interest, direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6 DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates were considered to have interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Company or have or may have any other conflict of interest with the Company pursuant to the Listing Rules.

7 LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8 MATERIAL CONTRACTS

The Company has not entered into any material contracts which are not in the ordinary course of business carried on or intended to be carried on by the Company within two years immediately preceding the Latest Practicable Date.

9 QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following are the qualifications of the experts who have given their report, opinion or advice which are contained in this Circular:

Name	**Qualifications**
DBS Asia Capital Limited	A licensed corporation under the SFO, registered for Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities) and Type 6 regulated activity (advising on corporate finance).
SHINEWING (HK) CPA Limited	Certified public accountants.

(b) As at the Latest Practicable Date, neither of DBS Asia Capital nor SHINEWING (HK) CPA Limited had any shareholding interest in any member of the Group or the right to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) Each of DBS Asia Capital and SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report/letter and references to its name in the form and context in which they appear.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by the Shareholders at the office of Stephenson Harwood & Lo, located at 35th Floor, Bank of China Tower, 1, Garden Road, Central Hong Kong during normal business hours up to 28 June 2007:

(a) the Offer Letter, the Supplemental Offer Letter and a draft of the Sale and Purchase Agreement;

(b) the letter from the Board, the text of which is set out on pages 5 to 19 of this Circular;

(c) the letter from the Independent Board Committee, the text of which is set out on page 20 of this Circular;

(d) the letter from DBS Asia Capital Limited, the text of which is set out on pages 21 to 41 of this Circular;

(e) the Memorandum and the Bye-Laws;

(f) the audited consolidated accounts of the Company for each of the three financial years ended 31 December 2006, 2005 and 2004;

(g) the written consents referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix;

(h) this Circular and a copy of any other circular issued by the Company pursuant to Chapter 14 and/or 14A of the Listing Rules which has been issued since 31 December 2006, being the date of the latest published audited accounts of the Company; and

(i) the letter dated 4 June 2007 from SHINEWING (HK) CPA Limited and accountants’ report set out on pages 42 to 47 and pages 48 to 106 of this Circular.

11 MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda.

(b) The principal place of business of the Company is 23/F., One Kowloon, No.1, Wang Yuen Street, Kowloon Bay, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The secretary of the Company is Ms. Lam Ka Mei. She is an Associate Member of Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(e) The qualified accountant of the Company is Ms. Wong Sau Wai, Sophia. She is an Associate Member of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) and The Association of Chartered Certified Accountants UK ("ACCA") since 1995 and became a Fellow Member of ACCA in 1997. Ms. Wong qualified as a Certified Public Accountant (Practising) at Hong Kong in 1997. She graduated from Heriot Watt University in the United Kingdom and obtained a Masters Degree of Business Administration in 2000. Ms. Wong has more than 15 years of working experience including auditing experience in one of the major international accounting firms.

(f) The English text of this document and the forms of proxy shall prevail over the Chinese text.

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 532)

NOTICE IS HEREBY GIVEN that a special general meeting of the Company will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 28 June 2007 immediately following the conclusion of the Annual General Meeting of the Company held at 2:30 p.m., to consider and, if thought fit, approve, with or without modifications, the following resolution as a special resolution:

SPECIAL RESOLUTION

THAT:

(a) the offer letter from the Purchaser to the Company dated 11 April 2007 (as supplemented by the letter from the Purchaser to the Company dated 12 April 2007) (the "Offer Letter"), copies of which have been produced to this special general meeting ("SGM") marked "A'' and signed by the chairman of this SGM (the "Chairman'') for the purpose of identification, and the transactions contemplated thereby including the sale (the "Transfer") of substantially all the operating businesses and assets of the Company and its subsidiaries (the "Target Assets") to the Purchaser for an aggregate consideration of HK$1,169,698,141 to be settled partly in cash as to HK$383,213,335 and partly by a promissory note in the principal amount of HK$786,484,806 to be issued by the Purchaser and having the terms described in the Offer Letter, be and are hereby approved;

(b) the board of directors of the Company (the "Board") be and is hereby authorised to accept the offer contained in the Offer Letter and to authorise any one or more director(s) of the Company ("Director(s)") to execute on behalf of the Company (under hand or under seal) the Offer Letter, the sale and purchase agreement to implement the transactions contemplated by the Offer Letter (the "Sale and Purchase Agreement") and all other documents contemplated by the Offer Letter and/or the Sale and Purchase Agreement or considered by the Director(s) to be necessary or desirable to be entered into in connection with the transactions contemplated by the Offer Letter and/or the Sale and Purchase Agreement and to do all such acts and things as may be necessary or desirable to implement or give effect to the terms of the Offer Letter, the Sale and Purchase Agreement and the transactions contemplated thereby (including, without limitation, exercising or enforcing any rights thereunder) and to make and agree such variations, amendments or modifications (if any) to the terms of the Offer Letter and/or the Sale and Purchase Agreement and the transactions contemplated thereby as the Director(s) may consider to be desirable, necessary or appropriate and in the interests of the Company;

(c) (i) the issued share capital of the Company of approximately between HK$70,879,596 (assuming no new shares in the Company are issued prior to the Capital Reduction becoming effective) and approximately HK$70,890,796 (assuming full exercise of 112,000 options vested as at the date of the notice of this SGM) be reduced to between HK$70,880 (assuming no new shares in the Company are issued prior to the Capital Reduction becoming effective) and HK$70,891 (assuming full exercise of 112,000 options vested as at the date of the notice of this SGM) by reducing the nominal value of each issued share from HK$0.10 to HK$0.0001 so THAT each of such issued shares shall be treated as one fully paid share of HK$0.0001 each, and

(ii) that the share premium account of the Company be reduced to zero by cancelling the entire amount standing to the credit of the share premium account of approximately between HK$75,508,254 (assuming no new shares in the Company are issued prior to the Capital Reduction becoming effective) and approximately HK$75,563,134 (assuming full exercise of 112,000 options vested as at the date of the notice of this SGM) and the cancelled amount be transferred to the contributed surplus account of the Company, and the directors of the Company be and are hereby authorised to apply the appropriate sums from such contributed surplus account towards the elimination of the accumulated deficit of the Company (if any) and otherwise to make a distribution to the shareholders of the Company out of the contributed surplus account in such amounts and at such time as they may consider appropriate;

((i) and (ii) together, the "Capital Reduction")

(iii) subject to and forthwith upon the Capital Reduction becoming effective, the credit which will arise as a result of the Capital Reduction shall be credited to the contributed surplus account of the Company;

(iv) subject to and forthwith upon the Capital Reduction becoming effective, the entire authorised share capital shall be HK$100,000 divided into 1,000,000,000 shares of HK$0.0001 each.

(d) the Memorandum of Association of the Company be amended as follows (the "Memorandum Amendments"):

(i) clause 6 of the Memorandum of Association be deleted in its entirety and replaced with the following:

"6. The authorised share capital of the Company is HK$100,000 divided into 1,000,000,000 shares of HK$0.0001 each."

(ii) the following clause be inserted in the Memorandum of Association:

"9. The duration of the Company shall cease upon 60 days after the withdrawal of the listing of the Shares on the main board of the Hong Kong Stock Exchange whereupon the Company shall be wound up voluntarily."

(e) subject to completion of the Transfer and the implementation of the Capital Reduction and the Memorandum Amendments, a distribution of HK$1.65 per share of HK$0.10 each in the capital of the Company to those shareholders whose names appear on the register of members of the Company on the date falling three Hong Kong business days (meaning any day other than Saturday on which banks in Hong Kong are open for business to the general public) after the last day of trading in the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited prior to the withdrawal of the listing of the Company's shares contemplated by paragraph (f) set out in the notice of this SGM (or on such other date as may be determined by the Board), such distribution to be paid and satisfied by:

(i) the distribution in specie of the promissory note in the principal amount of HK$786,484,806 to be issued by the Purchaser and received by the Company on completion of the sale of the Target Assets contemplated by paragraph (a) set out in the notice of this SGM, to the Interested Shareholders (as defined in the circular of the Company dated 4 June 2007) in respect of the aggregate number of 476,657,458 shares of HK$0.10 each of the Company held or beneficially owned by the Interested Shareholders; and

(ii) the payment in cash of an amount of HK$1.65 per share in respect of each share of HK$0.10 each of the Company held by the other shareholders of the Company (being an aggregate number of 232,138,506 shares) and the holders of any shares which fall to be issued upon the exercise of the outstanding vested options of the Company (being an aggregate of 112,000 options as at the date of the notice of this SGM);

be and are hereby approved and such distribution may be paid from any account lawfully available therefor, and the Director(s) be and is/are hereby authorised to do all such acts, deeds and things and to effect all actions and execute and deliver any and all documents on behalf of the Company as he/she/they may consider necessary or desirable, with such modifications and/or amendments (if any) as he/she/they may consider necessary or desirable, in order to effect, implement and complete the distribution contemplated by this paragraph (e) and in accordance with the arrangements described in the circular of the Company dated 4 June 2007, and the Board be and is hereby authorised to recommend and proceed with the transactions and matters contemplated by the resolution; and

(f) subject to completion of the transactions contemplated by paragraphs (a) to (e) set out in the notice of this SGM, the proposed voluntary withdrawal of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited be and is hereby approved and any Director(s) be and is/are hereby authorised to execute such documents, make such applications and submissions and do all such acts, deeds or things on behalf of the Company which the Director(s) consider(s) to be necessary or desirable in connection with the voluntary withdrawal of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, and all the documents signed by the relevant Director(s) on behalf of the Company in such connection be and are hereby approved, confirmed and ratified.

Yours faithfully
For and on behalf of the board of
Wong's Kong King International (Holdings) Limited
Byron Shu-Chan Ho
Director

Hong Kong, 4 Iune 2007

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the Company at 23/F., One Kowloon, No.1, Wang Yuen Street, Kowloon Bay, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy or office copy of such power or authority, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.