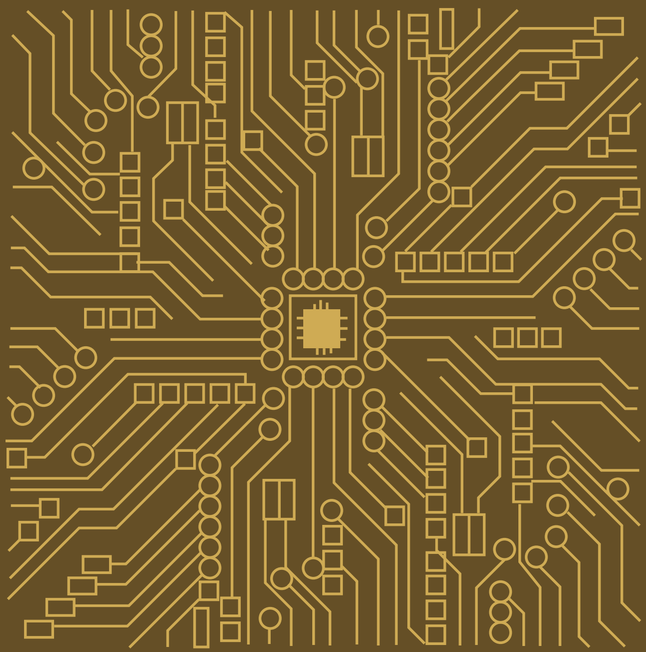
GRANDE

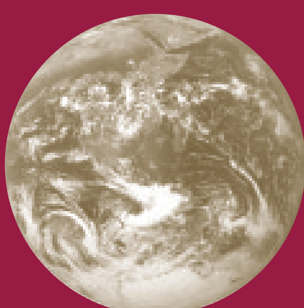
THE GRANDE HOLDINGS LIMITED



A N N U A L   R E P O R T   2 0 0 7

(Stock code no. 186)

THE GRANDE HOLDINGS LIMITED



THE GRANDE
HOLDINGS LIMITED

contents

corporate information

FOUNDING CHAIRMAN

Dr. Stanley Ho

BOARD OF DIRECTORS

Executive Directors

Mr. Christopher W. Ho
Chairman
Mr. Adrian C. C. Ma
Group Managing Director
Mrs. Christine L. S. Asprey
Mr. Michael A. B. Binney
Mr. C. F. Lam
Mr. Paul K. F. Law

Independent Non-executive Directors

Mr. Johnny W. H. Lau
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

AUDITORS

Moore Stephens

COMPANY SECRETARY

Mr. Christopher T. O. Chiang

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

CORPORATE OFFICE IN HONG KONG

12th Floor, The Grande Building,
398 Kwun Tong Road,
Kowloon, Hong Kong

CORPORATE OFFICE IN SINGAPORE

8 Commonwealth Lane,
Grande Building,
Singapore 149555

REGISTERED OFFICE

#2 Reid Street,
Hamilton HM 11, Bermuda

SHARE REGISTRAR

Tricor Tengis Limited
Level 25, Three Pacific Place,
1 Queen's Road East,
Hong Kong

SHARE TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

chairman's statement

For the financial year of 2007, the Group reported a consolidated loss attributable to shareholders of HK$595 million.

In spite of the setback in our financial results, your Board of Directors has recommended a final cash dividend for 2007 of HK8 cents per share which, together with the interim cash dividend of HK12 cents per share paid on 14 November 2007, results in a total cash distribution for the year of HK20 cents per share. On 9 January 2008, the Company declared a second interim dividend to be satisfied by way of a distribution in specie (the "Distribution") comprising substantially the Company's beneficial shareholding of 644 million shares in Lafe Technology Limited ("Lafe') held by the Company. The Distribution was completed on 29 February 2008. Following the declaration of the Distribution, results of Lafe and its subsidiaries (the "Lafe Group") are no longer accounted for in the consolidated financial statements of the Company. As at 31 December 2007, the Lafe Group was classified as a disposal group held for distribution. The Lafe Group is a leading manufacture of recording heads and related assemblies for hard disc drives and optical drives in the global storage market. The Distribution has resulted in a clear-cut operational structure of the Group, which will focus on the manufacture and distribution of consumer electronics products in the future.

During the year, the business environment was extremely challenging for our Electronic Manufacturing Services Group and Branded Distribution Group consequent upon the severe price competition, escalating costs pressures and appreciation of Renminbi. To cope with these challenges, management has decided to rationalize the Group's operating structures and business processes to improve its long-term profitability by disposing of the non-performing business units and excessive manufacturing facilities in order to reduce operating costs.

While the Group continues to expand the global markets for its brands namely, Nakamichi, Akai, Sansui and Emerson, it has also invested heavily in advanced manufacturing technologies such as the state of the art Surface Mount Technology machines in its PRC plants to improve the overall production efficiencies and product quality. The Group continues to enhance its competitive edge in producing high-quality products that command higher margins. The Group's results are expected to improve as a consequence of the investments.

The Group continues to stay focused on delivering high value-added products and adding value to its brands and products. In addition to the distribution of branded products, the Group has also strengthened its trademark licensing operations for Akai and Sansui and therefore significantly increased their global exposure and market awareness.

I would like to extend my appreciation to the management and the staff of the Group for their dedication, loyalty and commitment. I would also like to thank our shareholders, customers, suppliers and business associates for their continuing support and confidence in the Group.

Christopher W. Ho
Chairman
Hong Kong, 25 April 2008

For the year 2007, loss attributable to shareholders was HK$595 million as compared to profit of HK$360 million for the year 2006.

The total turnover was HK$7,187 million for the year compared to HK$8,755million for 2006. The gross profit from operating activities was HK$511 million as compared to HK$942 million for 2006.

The core business segments of the Group comprise of The Branded Distribution Group and The Electronics Manufacturing Services Group. The Branded Distribution Group continues to be the major contributor to sales and profits of the Group representing 60% of consolidated sales in 2007 as compared to 76% in 2006.

THE BRANDED DISTRIBUTION GROUP

The Branded Distribution Group's turnover for 2007 was HK$4,326 million as compared to HK$6,734 million for 2006. The Group continues to focus on developing the licensing and distribution of Emerson, Akai, Sansui and Nakamichi trademarks. Emerson has been the Group's major revenue contributor in the North American markets. In addition to the conventional audio and themed electronic products, Emerson has also expanded into a variety of electrical appliances including microwave ovens, toaster ovens, compact fridges, wine coolers and ice makers. Akai and Sansui are targeting global customers looking for mid to high end audio, video and display products. Their major markets cover Asia, Middle East, Near East and Europe. Nakamichi is the Group's premium brand focusing on the top end lifestyle entertainment products including a full range of flat panel display products, audio, video and home theatre systems.

During the year under review, the consumer electronics products experienced extremely intense price pressure and exceptionally fast obsolescence rates in the global markets. In order to improve its competitive edge, the Group decided to selectively outsource its display products from qualified suppliers instead of developing and producing all the models with its own engineering and production facilities. The Group had also reduced its audio and video product range to cover only those models with unique design and features. As a result, the Group had undergone a restructuring program to reduce its manufacturing operations in both the PRC and Europe and made substantial provisions and write-offs against excessive facilities, obsolete inventories and other assets with a view to improve its overall operational efficiencies in the future.

The retailing markets for consumer electronics products in the PRC was extremely challenging during 2007. The prices for the video and display products continue to erode rapidly. During the year, the Group re-engineered its supply chain and distribution network in the PRC to maintaining only those distributors and licensees with satisfactory performance. The non-performing retailing outlets in the less prominent provinces were closed down. Both Sansui and Akai are now focusing only on marketing and selling higher end products through qualified distributors and licensees.

The Branded Distribution Group's operating loss for 2007 was HK$65 million as compared to a profit of HK$236 million in 2006. The loss for the year was attributable to the severe price pressure sustained in the global markets, the substantial provisions and write-offs made against various assets consequent upon the Group's decision to restructure its manufacturing and branded distribution operations.

The Group will continue to improve its operational efficiency and global distribution network to realize the full potential of its portfolio of international brands by continuing to seek ways to improve their competitive edge and distribution efficiency.

THE ELECTRONIC MANUFACTURING SERVICES GROUP

The Electronic Manufacturing Services Group ("EMS") used to comprise two primary divisions, Lafe Technology Limited ("Lafe") and Capetronic Group Limited ("Capetronic"). Lafe is a leading manufacture recording heads and related assemblies for hard disc drives and optical drives in the global storage market. Capetronic manufactures video products on behalf of major global brands. The Group's shareholding interest in Lafe was distributed in specie to the shareholders in February 2008 as a second interim dividend of 2007. Consequently, Lafe was not considered as a subsidiary of the Group at 31 December 2007 and its turnover and operating results are separately shown in Note 37 to the financial statements.

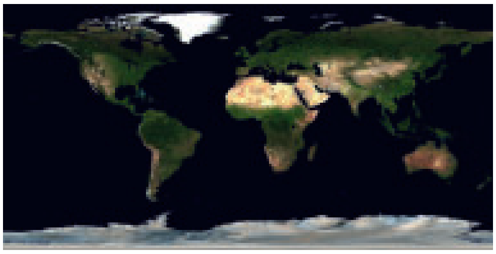
The EMS turnover, excluding Lafe, for 2007 was HK$2,861 million, as compared to HK$2,021 million in 2006. The increase was attributable to the production of higher valued products for the OEM customers during the year.

The EMS's operating loss for 2007 was HK$7 million as compared to an operating loss of HK$19 million in 2006. The sustained loss was attributable to the substantial increase in production costs resulting from the rapid appreciation of the RMB against the USD, the escalation of the labor costs consequent upon the continuing shortage of workers in the Southern China and the new labor laws introduced in the PRC during the year. In order to stay competitive and reduce its dependence on the labor supply, the Group invested heavily in the newest model then available of Surface Mount Technology machines and the associated equipment to improve the overall production efficiency during the year. In addition to the production of finished products for the OEM customers, the Group is also diversifying its operations into the provision of sub-contracting services for the manufacture of electronic components.

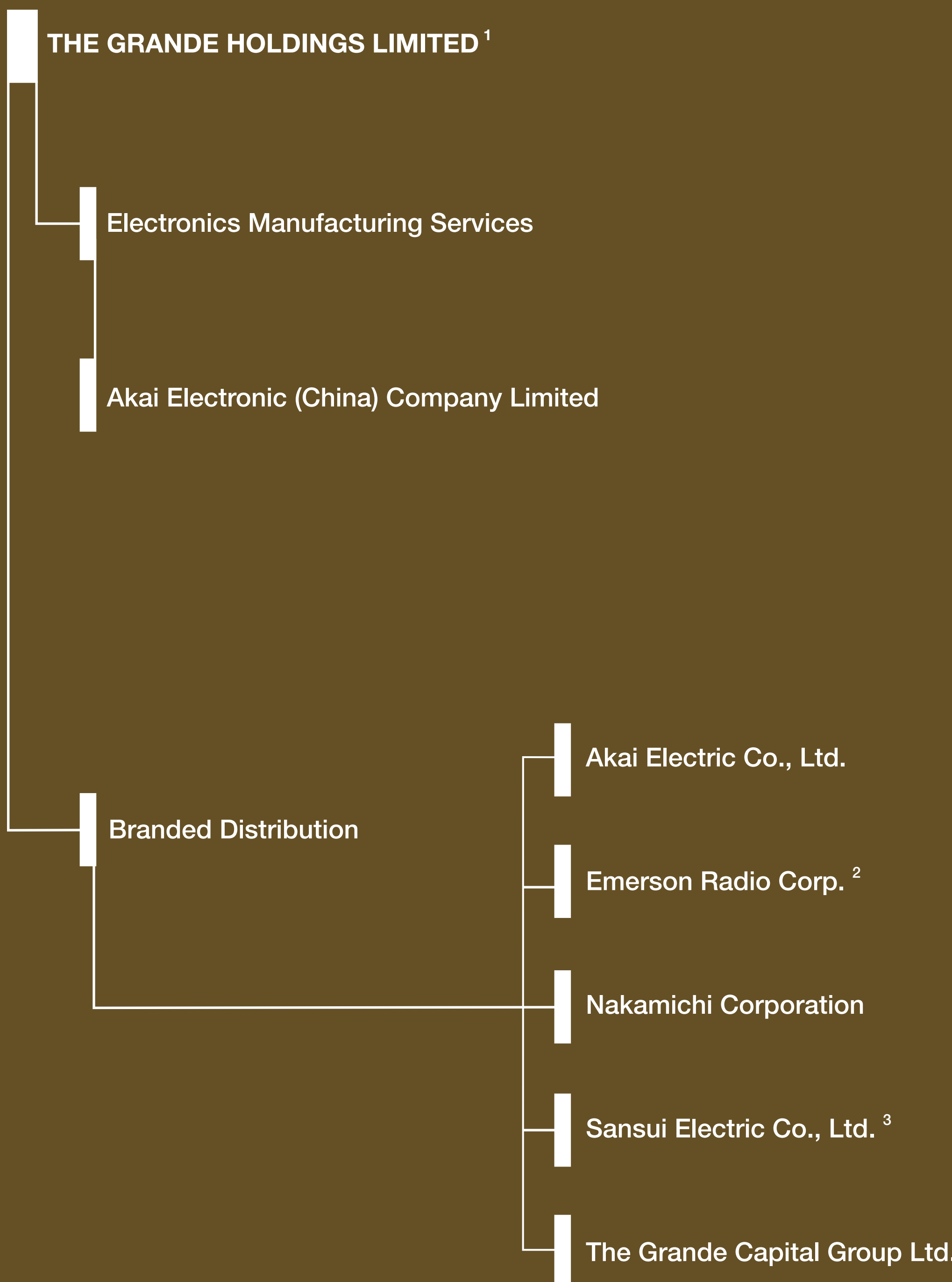
Adrian C. C. Ma
Group Managing Director

Hong Kong, 25 April 2008

corporate chart



[1] Listed on the Stock Exchange of Hong Kong
[2] Listed on the American Stock Exchange
[3] Listed on the Tokyo Stock Exchange


THE GRANDE HOLDINGS LIMITED [1]
Electronics Manufacturing Services
Akai Electronic (China) Company Limited
Branded Distribution
Akai Electric Co., Ltd.
Emerson Radio Corp. [2]
Nakamichi Corporation
Sansui Electric Co., Ltd. [3]
The Grande Capital Group Ltd.

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2007.

CORPORATE GOVERNANCE PRACTICES

The Company wishes to emphasis the importance of its Board in introducing and maintaining high standards of corporate governance and transparency and accountability of Company operations.

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions set out in the CG Code throughout the year under review.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and CG Code and align with the latest developments.

THE BOARD

Responsibilites

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

BOARD COMPOSITION

The Board currently comprises nine members, consisting of six executive directors and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Mr. Christopher W. Ho *(Chairman)*
Mr. Adrian C. C. Ma *(Group Managing Director/Chief Executive Officer)*
Mrs. Christine L. S. Asprey
Mr. Michael A. B. Binney
Mr. C. F. Lam
Mr. Paul K. F. Law

Independent non-executive directors:

Mr. Johnny W. H. Lau
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Brief Biographical Details in Respect of Directors" on page 26.

During the year ended 31 December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Christopher W. Ho, and the Chief Executive Officer is Mr. Adrian C. C. Ma. The positions of the Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgment of views. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company is engaged on a service contract and each of the independent non-executive directors is subject to retirement by rotation pursuant to the Company's Bye-laws. The appointment may be terminated by not less than one month's written notice.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Johnny W. H. Lau (Chairman), Mr. Christopher W. Ho and Mr Herbert H. K. Tsoi, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the independent non-executive directors. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee met twice during the year ended 31 December 2007 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Bye-laws, Mr. Michael A. B. Binney, Mr Johnny W. H. Lau and Mr Martin I. Wright shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 30 April 2008 contains detailed information of the directors standing for re-election.

The Nomination Committee held two meetings during the year ended 31 December 2007 and the attendance records are set out below:

Name of Directors	**Attendance/Number of Meetings**
Mr. Johnny W. H. Lau	2/2
Mr. Christopher W. Ho	2/2
Mr. Herbert H. K. Tsoi	2/2

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

There was no new director appointed during the year ended 31 December 2007. In case there is any newly appointed directors, he/she shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, Chief Executive Officer and Company Secretary attend the regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance Records

During the year ended 31 December 2007, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings during the year ended 31 December 2007 are set out below:

Name of Directors	**Attendance/Number of Meetings**
Mr. Christopher W. Ho	3/4
Mr. C. F. Lam	0/4
Mr. Michael A. B. Binney	1/4
Mrs. Christine L. S. Asprey	4/4
Mr. Adrian C. C. Ma	4/4
Mr. Paul K. F. Law	0/4
Mr. Herbert H. K. Tsoi	4/4
Mr. Johnny W. H. Lau	4/4
Mr. Martin I. Wright	4/4

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2007.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company matters, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2007 are set out on page 55 in note 9 to the financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Herbert H. K. Tsoi (Chairman), Mr. Christopher W. Ho and Mr. Johnny W. H. Lau, the majority of them are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held one meeting during the year ended 31 December 2007 and the attendance records are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Herbert H. K. Tsoi	1/1
Mr. Christopher W. Ho	1/1
Mr. Johnny W. H. Lau	1/1

ACCOUNTABILITY AND AUDIT

Directors' Responsibilties for Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

INTERNAL CONTROLS

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Martin I. Wright (Chairman), Mr. Herbert H. K. Tsoi and Mr. Johnny W. H. Lau (all of them possess the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal controls system of the Group and reported to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 31 December 2006 and interim results and interim report for the six months ended 30 June 2007, the financial reporting and compliance procedures, the report of Internal Auditor on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2007 and the attendance records are set out below:

Name of Directors	**Attendance/Number of Meetings**
Mr. Martin I. Wright	2/2
Mr. Herbert H. K. Tsoi	2/2
Mr. Johnny W. H. Lau	2/2

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 30.

During the year under review, the remuneration paid to the Company's external auditors is set out below:

Category of services	**Fee paid/payable** HK$ million
Audit service	12.6
Non-audit service	
– Preparation and audit of pro forma accounts in respect of the sub-groups for year ended 31 December 2006	0.2
Total	12.8

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

To promote effective communication, the Company maintains a website at www.grandeholdings.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted. Investors may write directly to the Company at its corporate office in Hong Kong for any inquiries.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings at which voting is taken on a poll are contained in the Company's Bye-laws. Details of such rights to demand a poll were included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the websites of the Company and of the Stock Exchange on the business day following the shareholders' meeting.

On behalf of the Board

Christopher W. Ho
Chairman

Hong Kong, 25 April 2008

The directors herein present their report and the audited financial statements of the Group for the year ended 31 December 2007.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates consisted of the design, development, manufacture and distribution of electronic products and components along with trading of audio & video products and shares.

Segmented Information

Details of turnover and segmented information are set out in notes 7 and 42 to the financial statements.

Results and Dividends

The Group's results for the year ended 31 December 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 32 to 92.

An interim cash dividend of HK12 cents per ordinary share was paid on 14 November 2007. On 9 January 2008, the Board declared a second interim dividend to be satisfied by way of a distribution in specie of seven shares of Lafe Technology Limited ("Lafe"), a 64% owned subsidiary of the Group and which is listed on the Singapore Stock Exchange, for every five ordinary shares of the Company held by the shareholders on the register of members on 31 January 2008. Definitive certificates for Lafe shares were despatched to the qualifying shareholders of the Company on 29 February 2008.

The directors recommend the payment of a final dividend of HK8 cents per share in respect of the year to the shareholders on the register of members on 23 June 2008. The final dividend will be paid on or before 13 August 2008.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below :

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$ million	HK$ million (Restated)	HK$ million (Restated)	HK$ million (Restated)	HK$ million (Restated)
CONTINUING OPERATIONS – TURNOVER	**7,187**	8,755	5,469	5,733	6,899
(LOSS)/PROFIT BEFORE TAX	**(1,002)**	280	270	344	346
Tax	**(19)**	(32)	(11)	(7)	3
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	**(1,021)**	248	259	337	349
Minority interests	**55**	28	20	66	42
	(966)	276	279	403	391
DISCONTINUED OPERATIONS	**371**	84	23	35	59
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**(595)**	360	302	438	450

Summary Financial Information (continued)

ASSETS AND LIABILITIES

	31 December				
	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
	million	million	million	million	million
			(Restated)	(Restated)	(Restated)
NON-CURRENT ASSETS	**3,086**	4,379	3,067	3,244	3,020
CURRENT ASSETS	**4,123**	3,608	3,635	3,095	3,493
TOTAL ASSETS	**7,209**	7,987	6,702	6,339	6,513
CURRENT LIABILITIES	**3,530**	3,198	3,113	2,981	2,740
NON-CURRENT LIABILITIES	**432**	833	423	306	394
TOTAL LIABILITIES	**3,962**	4,031	3,536	3,287	3,134
NET ASSETS	**3,247**	3,956	3,166	3,052	3,379
SHARE CAPITAL AND RESERVES	**2,388**	2,993	2,708	2,540	2,803
MINORITY INTERESTS	**859**	963	458	512	576
TOTAL EQUITY	**3,247**	3,956	3,166	3,052	3,379

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group are set out in note 15 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and associates are set out in notes 43 and 16 to the financial statements, respectively.

Share Capital and Share Premium

Details of movements in the Company's share capital and share premium are set out in notes 33 and 34 to the financial statements, respectively.

Distributable Reserves

At 31 December 2007, the Company's reserves available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda amounted to HK$1,860 million.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

Major Customers and Major Suppliers

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 16% and 47%, respectively, of the Group's total turnover for the year.

Major Customers and Major Suppliers (continued)

Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

Directors' Remuneration

Details of the directors' remuneration are set out in note 9 to the financial statements.

Directors

The directors of the Company during the year were:

Mrs. Christine L. S. Asprey
Mr. Michael A. B. Binney
Mr. Christopher W. Ho
Mr. C. F. Lam
Mr. Johnny W. H. Lau
Mr. Paul K. F. Law
Mr. Adrian C. C. Ma
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

In accordance with clause 99 of the Bye-Laws of the Company, Mr. Michael A. B. Binney, Mr. Johnny W. H. Lau and Mr. Martin I. Wright will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors who are proposed for re-election do not have any unexpired service contract with the Company.

Directors' Interests in Contracts

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Share Capital

At the balance sheet date, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and HKSE were as follows:

Long positions in shares:

Directors	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Interest in corporation	310,049,822*	67.36%
Mr. C. F. Lam	Beneficial owner	303,600	0.07%
Mr. Adrian C. C. Ma	Beneficial owner	78,000	0.02%

* *Mr. Christopher W. Ho has a 100% deemed beneficial interest in The Grande International Holdings Limited which owned 310,049,822 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation.*

Substantial Shareholders

(a) *Interest in the Company*

As at 31 December 2007, the following persons (other than the directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 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 or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Gottfried Ludwig Prentice Jurick	Beneficial owner	28,324,022	6.15%
Mr. Lawrence Y. L. Ho	Corporate	24,986,000*	5.42%

* *Mr. Lawrence Y. L. Ho owned 24,986,000 ordinary shares in the Company through Grand Villa Assets Limited of which he has 100% control.*

(b) *Interest in a member of the Group*

Name of the member of the Group	Shareholding interest of the Group	Other substantial shareholder and his/her shareholding interest
Capetronic Group Ltd	85%	Starcom Pacific Trading Limited, 15%

Substantial Shareholders (continued)

Save as disclosed above, as at the balance sheet date, none of the directors knew of any person (other than the directors or chief executive of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 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 or had any option in respect of such capital.

Brief Biographical Details in respect of Directors

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Mr. Christopher W. Ho	57	Chairman	17	Manufacturing, international trading and corporate finance
Mr. Adrian C. C. Ma	63	Group Managing Director and Chief Executive Officer	24	Consumer electronics industry
Mrs. Christine L. S. Asprey	59	Group Executive Director	10	International marketing, market research and industrial affairs
Mr. Michael A. B. Binney	48	Group Executive Director	18	Finance, accounting and corporate restructuring
Mr. C. F. Lam	58	Group Executive Director	33	Computer magnetic media industry
Mr. Paul K. F. Law	51	Group Executive Director	16	Consumer electronics industry
Independent Directors				
Mr. Herbert H. K. Tsoi	57	Non-executive Director	10	Solicitor
Mr. Johnny W. H. Lau	62	Non-executive Director	4	Manufacturing and consumer electronics industry
Mr. Martin I. Wright	46	Non-executive Director	4	Finance and accounting

The Company received the annual confirmation of year 2007 from each independent director and considers that they are independent.

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

Brief Biographical Details in respect of Senior Management Staff

Name	Age	Position held	Number of years of service	Business experience
Electronics Manufacturing Services Group				
Mr. K. T. Fok	47	Director – Engineering and Operations	25	Computer industry
Mr. H. T. Tang	49	Director – Operations	13	Engineering and manufacturing management
Branded Distribution Group				
Mr. Takeshi Nakamichi	58	Deputy Managing Director	36	Product research and development
Mr. H. C. Yeung	49	Deputy Managing Director	24	Consumer electronics industry
Treasury				
Mrs. Eleanor Crosthwaite	54	Managing Director	22	Treasury
Mr. Tony W. M. Lam	43	Executive Director – Group Treasury	16	Banking and treasury
Legal				
Ms. Ruby Y. K. Lee	46	Group Legal Counsel	14	Solicitor

Liquidity and Financial Resources

As at 31 December 2007, the Group had total assets of HK$7,209 million which were financed by shareholders' funding of HK$3,247 million including minority interests of HK$859 million and total liabilities of HK$3,962 million. The Group had a current ratio of approximately 1.17 as compared to that of approximately 1.13 at 31 December 2006.

As at 31 December 2007, the Group had HK$802 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings which were charged by banks at fixed and floating interest rates as detailed in note 28 to the financial statements. As at 31 December 2007, the Group had HK$496 million short-term bank borrowings and HK$540 million bank overdrafts.

The Group had inventories of approximately HK$465 million as at 31 December 2007 representing a decrease of HK$488 million compared to the previous year.

At the year end, the Group's gearing ratio was 16% which is calculated based on the Group's net borrowings of HK$522 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK$3,247 million.

Charges on Group Assets

At 31 December 2007, certain of the Group's assets with a total net book value of approximately HK$1,212 million have been pledged to banks to secure banking facilities granted to the Group. Details are set out in note 40 to the financial statements.

Treasury Policies

The Group's major borrowings are in US dollars, Renminbi and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars, Renminbi or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Renminbi against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

Employees and Remuneration Policies

The number of employees of the Group as at 31 December 2007 was approximately 5,000. The Group remunerated its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

Purchase, Sale or Redemption of Own Listed Securities

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

Significant Investments

During the year, the Group increased its shareholding interests in Sansui Electric Co., Ltd ("SEC") from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group has gained control over SEC's financial and operating policies, the investment in SEC has since June 2007 been accounted for as a subsidiary. The details are set out in note 16 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 38 to the financial statements.

Post Balance Sheet Event

Details of the significant post balance sheet events of the Group are set out in note 44 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Connected Transactions

Significant related party transactions entered by the Group during the year ended 31 December 2007, which constitute connected transactions under the Listing Rules are disclosed in note 6 to the financial statements.

Audit Committee

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the financial statements of the Group for the year ended 31 December 2007.

The Audit Committee comprises three independent non-executive directors, namely Mr. Herbert H. K. Tsoi, Mr. Johnny W. H. Lau and Mr. Martin I. Wright.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 14 to 21 of this annual report.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Code during the year ended 31 December 2007.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

Auditors

Messrs. Deloitte Touche Tohmatsu were the auditors of the Company from 2000 to 2006 and resigned in 2006. Messrs. Moore Stephens were appointed as auditors of the Company in 2006. The auditors, Messrs. Moore Stephens retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Christopher W. Ho
Chairman

Hong Kong
25 April 2008

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel: (852) 2375 3180
Fax: (852) 2375 3828
E-mail: ms@ms.com.hk
Website: www.ms.com.hk

馬施雲
會計師事務所

Independent Auditors' Report
to the Shareholders of
The Grande Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of The Grande Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 92, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of recognised income and expenses and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens
Certified Public Accountants

Hong Kong
25 April 2008

consolidated income statement

year ended 31 December 2007

	Notes	**2007 HK$ million**	2006 HK$ million (Restated)
CONTINUING OPERATIONS –			
TURNOVER	7	**7,187**	8,755
Cost of sales		**(6,676)**	(7,813)
Gross profit		**511**	942
Other income		**178**	202
(Loss)/gain on complete and partial disposals of subsidiaries		**(152)**	191
Distribution costs		**(209)**	(360)
Administrative expenses		**(552)**	(436)
Other operating expenses		**(708)**	(162)
Share of loss of associates		**(4)**	(5)
Finance costs		**(66)**	(92)
(LOSS)/PROFIT BEFORE TAX		**(1,002)**	280
Tax	10, 37(a)	**(19)**	(32)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,021)**	248
DISCONTINUED OPERATIONS –			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	37(a)	**371**	84
(LOSS)/PROFIT FOR THE YEAR	8	**(650)**	332
ATTRIBUTABLE TO:			
Shareholders of the Company		**(595)**	360
Minority interests		**(55)**	(28)
		(650)	332
DIVIDENDS	11	**120**	110
		HK$	HK$
(LOSS)/EARNINGS PER SHARE	12		
From continuing and discontinued operations – Basic		**(1.29)**	0.78
Diluted		**(1.20)**	0.76
From continuing operations – Basic		**(2.10)**	0.60
Diluted		**(1.96)**	0.58

31 December 2007

	Notes	2007 HK$ million	2006 HK$ million (Restated)
NON–CURRENT ASSETS			
Property, plant and equipment	13	**356**	512
Prepaid lease payments	14	**10**	223
Investment properties	15	**44**	404
Interests in associates	16	**–**	808
Investments available–for–sale	17	**166**	164
Deferred tax	18	**58**	47
Brands and trademarks	19	**1,785**	1,780
Other assets	20	**7**	262
Goodwill	21	**660**	179
		3,086	4,379
CURRENT ASSETS			
Inventories	23	**465**	953
Accounts, bills and other receivables	24	**538**	1,302
Amounts due from associates	6(a)	**349**	242
Prepayments, deposits and other assets		**143**	293
Tax recoverable		**40**	44
Deferred tax	18	**40**	26
Investments held for trading	25	**138**	10
Derivative instruments	26	**2**	4
Pledged deposits with banks		**101**	33
Cash and bank balances		**701**	701
Assets of a disposal group held for distribution	37(b)	**1,606**	–
		4,123	3,608
CURRENT LIABILITIES			
Accounts and bills payable	27	**716**	1,053
Amounts due to associates	6(a)	**4**	32
Accrued liabilities and other payables		**439**	526
Tax liabilities		**11**	18
Trust receipt loans	40	**154**	564
Current portion of secured bank loans	28, 40	**327**	115
Current portion of unsecured bank loans	28	**15**	149
Obligations under finance leases	29, 40	**15**	1
Derivative instruments	26	**213**	93
Convertible debenture	30	**198**	–
Unsecured bank overdrafts		**540**	647
Liabilities of a disposal group held for distribution	37(b)	**898**	–
		3,530	3,198
NET CURRENT ASSETS		**593**	410
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,679**	4,789

	Notes	2007 HK$ million	2006 HK$ million (Restated)
NON–CURRENT LIABILITIES			
Non–current portion of secured bank loans	28, 40	**58**	222
Non–current portion of unsecured bank loans	28	**32**	47
Obligations under finance leases	29, 40	**25**	1
Convertible debenture	30	**–**	192
Exchangeable bonds issued by a subsidiary	31, 40	**217**	310
Derivative instruments	26	**64**	–
Provision for retirement and long service	32	**8**	14
Accrued liabilities and other payables		**28**	47
		432	833
NET ASSETS		**3,247**	3,956
CAPITAL AND RESERVES			
Share capital	33	**46**	46
Share premium	34	**1,173**	1,173
Reserves	35	**1,169**	1,774
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**2,388**	2,993
MINORITY INTERESTS	35	**859**	963
TOTAL EQUITY		**3,247**	3,956

Christopher W. Ho
Chairman

Michael A. B. Binney
Director

consolidated statement of recognised income and expenses

year ended 31 December 2007

	2007 HK$ million	2006 HK$ million
Diluted loss on disposal of subsidiaries	**(18)**	–
Surplus on revaluation of investments available-for-sale	**–**	1
Surplus on revaluation of other properties	**24**	10
Net exchange differences on translation of the financial statements of overseas subsidiaries	**31**	31
Share of exchange differences of associates	**–**	2
Net income recognised directly in equity	**37**	44
(Loss)/profit for the year	**(638)**	360
Released on reclassification of investments available-for-sale to interests in associates	**–**	(7)
Total recognised income and expense for the year	**(601)**	397
Attributable to:		
Shareholders of the Company	**(566)**	395
Minority interests	**(35)**	2
	(601)	397

consolidated cash flow statement

year ended 31 December 2007

	2007 HK$ million	2006 HK$ million
OPERATING ACTIVITIES		
(Loss)/profit before tax :		
Continuing operations	**(1,002)**	280
Discontinued operations	**383**	114
	(619)	394
Adjustments for :		
Interest income	**(30)**	(29)
Interest expenses	**72**	95
Share of loss of associates	**4**	5
Depreciation	**76**	84
Change in fair value of derivative instruments	**82**	–
Change in fair value of investments held for trading	**(48)**	1
Net increase in fair value of investment properties	**(398)**	(84)
Discount on increased investment in subsidiaries	**(12)**	(27)
Amortisation of other assets	**22**	27
Amortisation of prepaid lease payments	**5**	6
Allowance for doubtful debts	**384**	34
Impairment loss recognised in respect of interests in a subsidiary	**139**	–
Impairment loss recognised in respect of interests in associates	**7**	58
Impairment loss recognised in respect of investments available–for–sale	**2**	16
Impairment loss recognised in respect of property, plant and equipment	**2**	–
Impairment loss recognised in respect of deferred development costs	**47**	–
Impairment loss recognised in respect of goodwill	**12**	–
Loss on disposal of property, plant and equipment	**4**	21
Loss/(gain) on complete and partial disposals of subsidiaries	**186**	(191)
Gain on disposal of investment available–for–sale	**(2)**	–
Gain on disposal of investment properties	**–**	(1)
Operating cash flows before movements in working capital	**(65)**	409
Increase in accounts, bills and other receivables	**(29)**	(574)
Decrease/(increase) in inventories	**339**	(45)
Decrease in investments held for trading	**10**	569
Decrease in prepayments, deposits and other assets	**22**	10
Increase in amounts due from associates	**(127)**	(14)
Increase/(decrease) in amounts due to associates	**65**	(60)
(Decrease)/increase in accounts and bills payable	**(145)**	434
(Decrease)/increase in accrued liabilities and other payables	**(63)**	65
Cash generated from operations	**7**	794
Interest paid	**(73)**	(97)
Hong Kong profits tax paid	**(5)**	(17)
Overseas profits tax paid	**(30)**	(25)
Net cash (used in)/generated from operating activities	**(101)**	655

	Notes	**2007 HK$ million**	2006 HK$ million
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(101)**	655
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(126)**	(176)
Purchase of additional interests in associates		**–**	(8)
Purchase of additional interests in subsidiaries	36(a)	**371**	21
Acquisition of subsidiaries	36(c) (ii)	**–**	6
Payments for other assets		**(3)**	(2)
Purchase of investment properties		**(46)**	(229)
Purchase of investments available–for–sale		**–**	(92)
Increase in pledged deposits with banks		**(68)**	(1)
Decrease in other non–current receivables		**78**	–
Interest received		**31**	26
Proceeds from disposal of property, plant and equipment		**27**	5
Proceeds from disposal of investments available–for–sale		**47**	1
Proceeds from disposal of investment properties		**4**	8
Disposal group held for distribution	37(b)	**(85)**	–
Complete and partial disposals of subsidiaries	36(b)	**256**	23
Net cash generated from/(used in) investing activities		**486**	(418)
FINANCING ACTIVITIES			
Dividend paid to minority interests		**(19)**	(21)
Dividends paid		**(120)**	(110)
Net increase/(decrease) in capital element of finance lease		**38**	(11)
Issue of exchangeable bonds by a subsidiary		**–**	388
Redemption of exchangeable bonds		**(96)**	–
Upfront fee from derivative instruments		**113**	–
New secured bank loans		**775**	239
New unsecured bank loans		**–**	147
Repayment of secured bank loans		**(408)**	(289)
Repayment of unsecured bank loans		**(150)**	(120)
Decrease in trust receipt loans		**(415)**	(238)
Net cash used in financing activities		**(282)**	(15)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**103**	222
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**54**	(168)
Effect of foreign exchange rate changes, net		**4**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**161**	54
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**701**	701
Unsecured bank overdrafts		**(540)**	(647)
		161	54

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 Company's immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is The Grande International Holdings Limited, a company incorporated in the British Virgin Islands.

During the year, the Company acted as an investment holding company. The principal activities of the principal subsidiaries and associates are set out in notes 43 and 16, respectively.

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 6 of the annual report.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new HKFRSs below does not result in substantial changes to the Group's accounting policies and has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 "Financial reporting in hyperinflationary economies"
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2007, and is in the process of assessing their impact on future accounting periods.

HKAS 1 (Revised)	(i)	Presentation of financial statements
HKAS 23 (Revised)	(i)	Borrowing costs
HKFRS 3 (Revised)	(v)	Business combinations
HKFRS 8	(i)	Operating segments
HK(IFRIC) – Int 11	(ii)	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	(iii)	Service concession arrangements
HK(IFRIC) – Int 13	(iv)	Customer loyalty progammes
HK(IFRIC) – Int 14	(iii)	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

(i) Effective for annual periods beginning on or after 1 January 2009.
(ii) Effective for annual periods beginning on or after 1 March 2007.
(iii) Effective for annual periods beginning on or after 1 January 2008.
(iv) Effective for annual periods beginning on or after 1 July 2008.
(v) Effective for annual periods beginning on or after 1 July 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgement made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 December 2007. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their respective dates of acquisition or disposal, respectively. All intercompany transactions and balances within the Group are eliminated on consolidation.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

- on the sale of goods, when the goods are delivered and title, significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

- 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;

- income from properties held for sale is recognised on the execution of a binding sales agreement;

- income from sale of investments held for trading is recognised on a trade-date basis and the execution of a binding contract; and

- royalties income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the 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 cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. 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 income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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.

Goodwill

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Discount on acquisition

A discount on acquisition arising on an acquisition of a subsidiary or an associate represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in the income statement. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

Segment reporting

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

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, except for freehold land which is stated at cost less impairment loss and is not depreciated.

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

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life as set out below:

Freehold buildings outside Hong Kong	5 to 50 years
Long term leasehold buildings outside Hong Kong	45 years
Medium term leasehold buildings in Hong Kong	20 to 40 years
Medium term leasehold buildings outside Hong Kong	Over the lease terms
Plant, equipment and other assets	2 to 15 years
Moulds	2 to 5 years

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Upon the disposal of properties which have been revalued, the relevant portion of the revaluation reserve attributable to the properties realised is transferred directly to retained profits as a reserve movement.

An item of property, plant and equipment is derecognised upon disposal or when 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 income statement in the year in which the item is derecognised.

Land use rights

Land use rights represented the prepaid lease payments of leasehold interests in land under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

Investment properties

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments in equity securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. For investments in equity available-for-sale 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. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For investments available-for-sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

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 receivables, bills receivable, other receivables, deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

– *Financial liabilities:*

Financial liabilities including bank borrowings, other borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

– *Equity instruments:*

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

Convertible notes and exchangeable bonds

Convertible notes are bonds convertible into shares of the issuer and are recognised by splitting the liability portion and the call option. The liability portion is initially recognised at fair value and is accounted for using the amortised cost method whilst the call option value, which is computed as the difference between the liability portion and the proceeds of the bonds issue, is included in a specific equity reserve or as a liability when the number of shares to be converted is variable. If the option is classified as a liability, it is measured at fair value.

Exchangeable bonds are bonds exchangeable into shares of entities other than the issuer and are recognised by splitting the liability portion and the call option. The liability portion is initially recognised at fair value and is accounted for using the amortised cost method whilst the call option is classified as a derivative liability and is carried at fair value.

Gains and losses arising from the changes in fair value are recognised in the income statement at each reporting date.

Derivative instruments

Derivative instruments are initially recognised at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through income statement. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Brands and trademarks

The brands and trademarks with indefinite lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment.

Gains or losses arising from derecognition of brands and trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and deferred development costs

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Impairment of assets

– *Tangible assets:*

  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 such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

  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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

  Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however, the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) 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 accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

– *Intangible assets:*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When 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.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation on non-monetary items carried at fair value are included in income statement 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.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the Group and reported using the historical exchange rate prevailing at the date of the acquisition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for retirement and long service

The provision for retirement and long service are provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment. The amounts credited in the income statement represent the reversal of previous provisions no longer necessary.

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which they are incurred.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group as the parent 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax (continued)

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

Cash and cash equivalents

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

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Related parties

A party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

(ii) the party is a member of the key management personnel of the Group;

(iii) the party is a close member of the family of any individual referred to in (i) or (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (ii) or (iii); or

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates that have most significant effect on the amounts recognised in the financial statements. 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.

(a) Impairment review of investments in associates:

The Group applies the requirements of HKAS 39 to determine whether it is necessary to recognise any additional impairment loss with respect to the Group's investments in associates. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the market values of investments in listed associates is less than their respective carrying amounts; and the financial health of and near-term business outlook for the investees, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(b) Impairment of property, plant and equipment, interests in leasehold land held for own use under operating leases:

If the circumstances indicate that the carrying values of property, plant and equipment, interests in leasehold land held for own use under operating leases may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs. However, actual sale volume, selling price and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

(c) Depreciation of property, plant and equipment:

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(d) Impairment loss for bad and doubtful debts:

The Group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs could be higher than estimated.

(e) Write down of inventories:

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgement. Based on this review, write down of inventories will be made when the carrying amount of inventories declines below the estimated net realisable value. However, actual sales may be different from estimation and profit or loss could be affected by differences in this estimation.

(f) Estimated impairment of goodwill, brands and trademarks:

Determining whether goodwill, brands and trademarks are impaired requires an estimation of the value in use of the cash-generating units to which goodwill, brands and trademarks have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill, brands and trademarks are HK$660 million and HK$1,785 million, respectively. Particulars of the impairment test are disclosed in note 22.

(g) Income taxes:

As at 31 December 2007, a deferred tax asset of HK$98 million in relation to unused tax losses has been recognised in the Group's balance sheet. The releasability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables, trade payables, convertible debenture and exchangeable bonds. 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.

(a) Currency risk:

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts (note 26) are entered into in respect of highly probable foreign currency forecast sales and purchases in accordance with the Group's risk management policies.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Currency risk: (continued)

The Group's exposure to foreign currency risk, which is not covered by foreign currency forward contracts, arises mainly from its subsidiaries in the People's Republic of China whose net financial assets or net financial liabilities are denominated in Renminbi. The Group's exposure to this currency risk is not significant and therefore the fluctuation of this foreign exchange rate within a reasonable range of 5% would have no significant impact on the Group's financial statements for both the years ended 31 December 2007 and 2006.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Fair value interest rate risk:

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings (note 28). In relation to these fixed-rate borrowing, the Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group entered into interest rate swaps (note 26) to hedge against its exposures to changes in fair values of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

(c) Credit risk:

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

(d) Price risk:

The Group's investments available-for-sale and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management reviews the market situation and consults to the professionals to monitor the exposure periodically.

(e) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's cash and short term deposits, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value:

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

(g) Capital risk:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain new borrowings.

Management monitors capital with reference to gearing ratio. The Group strategies, which were unchanged from previous year, are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage.

The gearing ratio is calculated based on the Group's net borrowings (calculated on total interest-bearing borrowings less cash and bank balance) divided by total equity.

	2007 HK$ million	2006 HK$ million
Net borrowings	**522**	1,202
Total equity	**3,247**	3,956
Gearing ratio	**16%**	30%

There are no externally imposed capital requirements for current and prior years.

(h) Interest rate risk

At 31 December 2007, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would increase or decrease the Group's loss after tax by approximately HK$4 million (2006: HK$10 million) and HK$4 million (2006: HK$10 million), respectively.

6. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation are not disclosed in this note. Details of material transactions between the Group and other related parties are disclosed below:

	2007 HK$ million	2006 HK$ million
Associates:		
Sales of goods	**–**	38
Purchases of materials	**26**	54
Rental expenses	**17**	4
Trade and other receivables	**349**	242
Trade and other payables	**(4)**	(32)

Sales of goods to and purchase of materials from associates were negotiated on an arm's length basis. The amounts outstanding are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these amounts due from/(to) associates approximate their fair values.

Related companies:		
Other payables	**(76)**	(56)

The amounts due to the related companies are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these amounts due to related companies approximate their fair values.

6. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2007 HK$ million	2006 HK$ million
Short-term employee benefits	**13**	12

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

(c) Guarantee

The Chairman provided a personal guarantee amounting to HK$60 million (2006: HK$60 million) to the Company for a banking facility.

7. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts, royalty income and securities trading, but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity for the year is as follows:

	2007 HK$ million	2006 HK$ million
By principal activity:		
Branded distribution	**4,326**	6,734
Electronics manufacturing services	**2,861**	2,021
Attributable to continuing operations	**7,187**	8,755
Attributable to discontinued operation	**618**	557
	7,805	9,312

8. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is arrived at after charging/(crediting):

	2007 HK$ million	2006 HK$ million
Depreciation of property, plant and equipment	**76**	84
Operating lease rentals:		
Land and buildings	**24**	23
Property, plant and equipment	**4**	–
	28	23
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	**65**	88
Interest on bank loans wholly repayable beyond five years	**7**	7
	72	95
Auditors' remuneration:		
Current year	**12**	9
Under-provision in prior year	**1**	2
	13	11
Staff costs:		
Salaries and other benefits	**286**	263
Retirement benefit costs	**3**	4
	289	267
Cost of inventories recognised as expenses	**6,820**	7,860
Amortisation of other assets included in other operating expenses	**22**	27
Amortisation of prepaid lease payments	**5**	6
Allowance for doubtful debts	**384**	34
Research and development expenditure	**4**	3
Loss on disposal of property, plant and equipment	**4**	21
Impairment loss recognised in respect of interests in a subsidiary	**139**	–
Impairment loss recognised in respect of interests in associates	**7**	58
Impairment loss recognised in respect of investments available-for-sale	**2**	16
Impairment loss recognised in respect of property, plant and equipment	**2**	–
Impairment loss recognised in respect of deferred development costs	**47**	–
Impairment loss recognised in respect of goodwill	**12**	–
Change in fair value of derivative instruments	**82**	–
Change in fair value of investments held for trading	**(48)**	1
Net foreign exchange gain	**(29)**	(12)
Gain on disposal of investment properties	**–**	(1)
Gain on disposal of investment available-for-sale	**(2)**	–
Net increase in fair value of investment properties	**(398)**	(84)
Discount on increased investment in subsidiaries	**(12)**	(27)
Interest income	**(30)**	(29)

9. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Total emoluments HK$ million
2007				
Mr. Christopher W. Ho	**0.5**	**1.6**	**–**	**2.1**
Mr. Adrian C. C. Ma	**–**	**1.9**	**–**	**1.9**
Mrs. Christine L. S. Asprey	**–**	**0.6**	**–**	**0.6**
Mr. Michael A. B. Binney	**–**	**1.3**	**–**	**1.3**
Mr. C. F. Lam	**–**	**2.1**	**–**	**2.1**
Mr. Paul K. F. Law	**–**	**1.1**	**–**	**1.1**
Mr. Johnny W. H. Lau	**0.2**	**–**	**–**	**0.2**
Mr. Herbert H. K. Tsoi	**0.3**	**–**	**–**	**0.3**
Mr. Martin I. Wright	**0.2**	**–**	**–**	**0.2**
	1.2	**8.6**	**–**	**9.8**
2006				
Mr. Christopher W. Ho	–	1.5	–	1.5
Mr. Adrian C. C. Ma	–	1.8	–	1.8
Mrs. Christine L. S. Asprey	–	0.6	–	0.6
Mr. Michael A. B. Binney	–	1.2	–	1.2
Mr. C. F. Lam	–	2.0	–	2.0
Mr. Paul K. F. Law	–	1.2	–	1.2
Mr. Johnny W. H. Lau	0.2	–	–	0.2
Mr. Martin I. Wright	0.2	–	–	0.2
	0.4	8.3	–	8.7

Mr. Herbert H. K. Tsoi waived the directors' emoluments of HK$0.3 million for the year ended 31 December 2006.

The remuneration package of the directors are reviewed and approved by the Remuneration Committee. Details please see Corporate Governance Report on page 14.

9. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

Employee Costs

During the year, the five highest paid individuals included three (2006: three) directors, detail of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2007 HK$ million	2006 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**3**	3
Bonuses paid and payable	**–**	–
	3	3

The number of non-directors whose remuneration fell within the bands set out below is as follows:

HK$	**2007 Number of non-directors**	2006 Number of non-directors
1,000,001 – 1,500,000	**–**	1
1,500,001 – 2,000,000	**2**	1

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Company. In addition, staff are entitled to receive a discretionary bonus which is decided by the Company at its absolute discretion having regard to his/her performance.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006:17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2007 HK$ million	2006 HK$ million
The tax charge/(credit) comprises:		
Current year provision		
Hong Kong	**1**	6
Overseas	**(11)**	19
(Over)/under provision in prior year		
Hong Kong	**(1)**	–
Overseas	**43**	4
Deferred tax (note 18)		
Hong Kong	**3**	–
Overseas	**(16)**	5
	19	34

Reconciliation between tax charge and (loss)/profit before tax at applicable tax rates is as follows:

	2007 HK$ million	2006 HK$ million
(Loss)/profit before tax:		
Continuing operations	**(1,002)**	280
Discontinued operations	**383**	114
	(619)	394
Notional tax calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**(108)**	69
Effect of different tax rates in overseas jurisdictions	**(7)**	(24)
Income and expenses not subject to tax	**71**	(88)
Unused tax losses not recognised	**34**	70
Utilisation of unrecognised tax losses	**(3)**	(3)
Under provision in prior year	**42**	4
Others	**(10)**	6
	19	34

11. DIVIDENDS

	2007 HK$ million	2006 HK$ million
Interim dividend of HK12 cents (2006: HK12 cents) per share on 460.2 million shares	**55**	55
2006 final dividend of HK14 cents (2005: HK12 cents) per share on 460.2 million shares	**65**	55
	120	110

On 9 January 2008, the Board declared a second interim dividend to be satisfied by way of a distribution in specie of seven Lafe shares for every five ordinary shares of the Company held by the shareholders on the register of members on 31 January 2008. Definitive certificates for Lafe shares were despatched to the qualifying shareholders of the Company on 29 February 2008. The fair value at close of business on 29 February 2008 of Lafe shares was HK$1.10 each which equates to a dividend of HK$1.54 per share on 460.2 million shares amounting to a total of HK$708 million.

The directors recommend the payment of a final dividend of HK8 cents per share on 460.2 million shares amounting to a total of HK$37 million. The final dividend will be paid on or before 13 August 2008.

The second interim dividend was approved and a final dividend was recommended by the Board after the balance sheet date, and therefore were not recognised as liabilities at 31 December 2007.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	2007 HK$ million	2006 HK$ million
(Loss)/earnings:		
(Loss)/profit attributable to shareholders of the Company used in the basic earnings per share calculation:		
– From continuing operations	**(966)**	276
– From discontinued operations	**371**	84
	(595)	360
Effect of dilutive potential ordinary shares:		
Interest on convertible debenture	**9**	9
(Loss)/profit attributable to shareholders of the Company before interest on convertible debenture	**(586)**	369
Attributable to:		
– Continuing operations	**(957)**	285
– Discontinued operations	**371**	84
	(586)	369

	2007 Number of ordinary shares million	2006 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**460.2**	460.2
Effect of dilutive potential ordinary shares:		
Convertible Debenture	**28.3**	28.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**488.5**	488.5

Discontinued operations:

Basic earnings per share for the discontinued operations is HK$0.81 (2006: HK$ 0.18) per share and the diluted earnings per share for the discontinued operations is HK$0.76 (2006: HK$0.17) per share, based on the earnings from the discontinued operations and the weighted average numbers of ordinary shares presented above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$ million	Plant, equipment and other assets HK$ million	Moulds HK$ million	Total HK$ million
Cost or valuation:				
At 1 January 2006	423	986	177	1,586
Foreign currency adjustment	4	14	–	18
Additions	66	101	9	176
Acquisition of subsidiaries	9	33	1	43
Surplus on revaluation	10	–	–	10
Transferred from other current assets	–	10	–	10
Transferred to investment properties	(22)	–	–	(22)
Subsidiaries reclassified as associates *(note 36(c)(i))*	(163)	(119)	(47)	(329)
Disposals	–	(81)	(9)	(90)
At 31 December 2006 and 1 January 2007	327	944	131	1,402
Foreign currency adjustment	5	24	–	29
Additions	–	119	7	126
Surplus on revaluation	24	–	–	24
Acquisition of subsidiaries	55	–	–	55
Transferred to investment properties	(49)	–	–	(49)
Transfer	–	(25)	25	–
Impairment	–	–	(2)	(2)
Disposal of subsidiaries	(103)	(168)	(2)	(273)
Disposal group held for distribution *(note 37(b))*	(127)	(263)	(65)	(455)
Disposals	(8)	(46)	(2)	(56)
At 31 December 2007	124	585	92	801
Accumulated depreciation and impairment:				
At 1 January 2006	75	693	127	895
Foreign currency adjustment	2	7	–	9
Provided during the year	10	62	12	84
Transferred to investment properties	(4)	–	–	(4)
Subsidiaries reclassified as associates *(note 36(c)(i))*	(25)	(1)	(4)	(30)
Disposals	–	(58)	(6)	(64)
At 31 December 2006 and 1 January 2007	58	703	129	890

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$ million	Plant, equipment and other assets HK$ million	Moulds HK$ million	Total HK$ million
Accumulated depreciation and impairment: (continued)				
Foreign currency adjustment	(2)	5	–	3
Provided during the year	7	54	15	76
Transfer	–	(4)	4	–
Transferred to investment properties	(14)	–	–	(14)
Disposal of subsidiaries	(11)	(123)	(2)	(136)
Disposal group held for distribution *(note 37(b))*	(30)	(254)	(65)	(349)
Disposals	–	(23)	(2)	(25)
At 31 December 2007	8	358	79	445
Carrying values:				
At 31 December 2007	**116**	**227**	**13**	**356**
At 31 December 2006	269	241	2	512

The net book value of plant and machinery held under finance leases at 31 December 2007 amounted to HK$108 million (2006: HK$2 million).

Buildings comprise:

	2007 HK$ million	2006 HK$ million
Freehold buildings outside Hong Kong:		
At cost	**60**	9
Long-term leasehold buildings outside Hong Kong:		
At cost	**–**	60
Medium-term leasehold buildings in Hong Kong:		
At cost	**–**	11
At 1993 professional valuation	**22**	51
	22	62
Medium-term leasehold buildings outside Hong Kong:		
At cost	**42**	138
At 1993 professional valuation	**–**	58
	42	196
Total cost or valuation	**124**	327

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The valuation of medium-term leasehold buildings in Hong Kong of HK$22 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 December 1993.

Had the revalued assets been stated at their cost less accumulated depreciation, the carrying amount of buildings as at 31 December 2007 would be restated at HK$107 million (2006: HK$226 million).

Certain of the above properties and plant and machinery held by the Group were pledged to secure banking and finance lease facilities (note 40).

14. PREPAID LEASE PAYMENTS

	2007 HK$ million	2006 HK$ million
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	**10**	41
Leasehold land outside Hong Kong:		
Long-term lease	**–**	7
Medium-term lease	**–**	181
	10	229
Analysed for reporting purposes as:		
Current portion (included in prepayments, deposits and other assets)	**–**	6
Non-current portion	**10**	223
	10	229

15. INVESTMENT PROPERTIES

	2007 HK$ million	2006 HK$ million
At fair value		
At beginning of year	**404**	54
Foreign currency adjustment	**25**	16
Transferred from property, plant and equipment and prepaid lease payments	**39**	28
Net increase in fair value recognised in income statement	**398**	84
Additions	**46**	229
Disposals	**(4)**	(7)
Disposal of subsidiaries	**(77)**	–
Disposal group held for distribution *(note 37(b))*	**(787)**	–
At end of year	**44**	404

The carrying amount of investment properties comprises land as follows:

	2007	2006
Land outside Hong Kong:		
Freehold	**–**	346
Medium-term leasehold	**43**	9
	43	355
Medium-term leasehold land in Hong Kong	**1**	49
Carrying amount	**44**	404

The investment properties in Hong Kong and Macau were valued at HK$6 million as at 31 December 2007 by Dudley Surveyors Limited, independent professional surveyors, by reference to market evidence of transaction prices for similar properties.

The investment properties in The People's Republic of China were valued at HK$38 million as at 31 December 2007 by Zhong Shan Kexing Assets & Land Assessment Company Limited, independent professional surveyors, on an open market, existing use basis as at 31 December 2007.

All the Group's investment properties are held for earning rental income or for capital appreciation purposes and are measured using the fair value model.

Certain investment properties have been pledged to secure general banking facilities granted to the Group (note 40).

16. INTERESTS IN ASSOCIATES

	2007 **HK$** **million**	2006 HK$ million
Cost of investment less impairment	**8**	811
Share of post-acquisition losses and reserves	**(8)**	(3)
	–	808
Listed investments, at market value	**12**	684

Particulars of the Group's principal associates are as follows:

Name	Notes	**Place of incorporation/ registration and operation**	**Percentage of equity attributable to the Group**		**Principal activities**
			2007	2006	
Ross Group Plc +		United Kingdom	**41%**	41%	Design and manufacture of engineering projects, and the sale and distribution of electronic products
ZS Kawa Electronics (Group) Co., Ltd.	(a)	The People's Republic of China	**50%**	50%	Property leasing

\+ *Listed on the London Stock Exchange.*

Notes:

(a) The land and buildings of ZS Kawa Electronics (Group) Co., Ltd and its fellow subsidiaries ("Kawa") in Zhongshan, the PRC are leased to the Group as part of its manufacturing facilities. These properties, carrying a net book value of HK$173 million as at 31 December 2007, were valued at HK$345 million by Zhong Shan Kexing Assets & Land Assessment Company Limited, independent professional surveyors, on an open market value basis at the same date. The investment in Kawa has not been increased for the Group's share of the difference between the properties' carrying amounts in Kawa's books and their respective fair values since the properties are leased by the Group.

(b) In June 2007, the Group reclassified its investment in Sansui Electric Co., Ltd. ("SEC") from an associate to a subsidiary consequent upon the increase of its shareholding interest in SEC from 30% at 31 December 2006 to 50.17% at 30 June 2007. In spite of the reduction of the Group's shareholding interest in SEC to 40% at 31 December 2007, SEC has still been accounted for as a subsidiary of the Group since the Group has maintained its control over the financial and operating decisions of SEC.

16. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

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

	2007 HK$ million	2006 HK$ million
Total assets	**394**	1,176
Total liabilities	**(505)**	(594)
Net (liabilities)/assets	**(111)**	582
Group's share of net assets of associates	**–**	191
Revenue	**27**	118
Loss for the year	**(51)**	(22)
Group's share of results of associates for the year	**(4)**	(5)

17. INVESTMENTS AVAILABLE – FOR – SALE

	2007 HK$ million	2006 HK$ million
Listed investments, at market value		
Hong Kong	**1**	–
Outside Hong Kong	**–**	1
	1	1
Unlisted investments		
Credit Linked Note *(Note)*	**14**	92
Others, at cost less impairment	**151**	71
	165	163
	166	164

Note:

Included in unlisted investments is a long-term investment in the amount of USD1.8 million (2006: US$11.8 million) in an interest-bearing Credit Linked Note ("CLN") issued in August 2006 by DBS Bank Ltd. The CLN has a nominal value of US$10 million (HK$78 million), is not transferable and is linked to US$50 million Zero Coupon Guaranteed Exchangeable Bonds ("Exchangeable Bonds") issued by Hi-Tech Precision Products Ltd to independent third parties (note 31). The CLN is unsecured and bears interest at 3 months LIBOR plus 2.5% p.a. and will mature at the issue price of US$11.8 million in February 2009. If a credit fault event occurs (including failure to make interest payments on the Exchangeable Bonds) before February 2009, the CLN will be exchanged for US$10 million Exchangeable Bonds. The CLN is classified as available-for-sale financial assets.

18. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised:

The major components of deferred tax assets/(liabilities) recognised in the balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation HK$ million	**Tax losses** HK$ million	**Others** HK$ million	**Total** HK$ million
At 1 January 2006	(7)	17	(6)	4
Arising from purchase of additional interests in subsidiaries *(note 36(a))*	1	73	–	74
Debited to income statement *(note 10)*	–	(5)	–	(5)
At 31 December 2006 and 1 January 2007	(6)	85	(6)	73
Arising from purchase of additional interests in subsidiaries *(note 36(a))*	–	–	6	6
Arising from disposal of subsidiaries	5	–	–	5
Disposal group held for distribution *(note 37(b))*	1	–	–	1
Credited to income statement *(note 10)*	–	13	–	13
At 31 December 2007	–	98	–	98

	2007 **HK$** **million**	2006 HK$ million
Portion classified as current assets	**40**	26
Portion classified as non-current assets	**58**	47
	98	73

(b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	2007 **HK$** **million**	2006 HK$ million
Tax losses carried forward	**7,365**	7,296
Accelerated depreciation allowances	**232**	234
	7,597	7,530

19. BRANDS AND TRADEMARKS

	2007 HK$ million	2006 HK$ million
Gross amount		
At 1 January	**2,008**	1,539
Acquisition of subsidiaries	**–**	464
Foreign currency adjustment	**5**	5
At 31 December	**2,013**	2,008
Accumulated amortisation at 31 December	**(228)**	(228)
Carrying amount at 31 December	**1,785**	1,780

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses.

On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives. As a result, the brands and trademarks are not subject to amortisation from 1January 2005 onwards, but are tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 22.

20. OTHER ASSETS

	2007 HK$ million	2006 HK$ million
Deferred development costs:		
At beginning of year	**174**	164
Acquisition of subsidiaries	**–**	8
Additions	**3**	2
Written off	**(108)**	–
At end of year	**69**	174
Accumulated amortisation and impairment:		
At beginning of year	**101**	74
Provided for the year	**22**	27
Written off	**(61)**	–
At end of year	**62**	101
Carrying amount of deferred development costs at end of year	**7**	73
Other receivable	**–**	189
Total other assets at end of year	**7**	262

The deferred development costs have definite useful lives and amortised on a straight-line basis over 3 to 5 years.

21. GOODWILL

	2007 HK$ million	2006 HK$ million
At beginning of year	**179**	151
Acquisition of subsidiaries	**–**	58
Increased investment in subsidiaries	**790**	14
Written off	**(12)**	–
Disposal group held for distribution *(note 37(b))*	**(59)**	–
Impairment loss in respect of interests in a subsidiary	**(97)**	–
Complete or partial disposals of subsidiaries	**(141)**	(44)
Carrying amount at end of year	**660**	179

Included in the goodwill at 31 December 2007 was a amount of HK$616 million attributable to the cash generating unit comprising the Group's interest in SEC, Sansui's global licensing and distribution operations and the Sansui trademarks. These assets and operations form an integrated operating unit of the Group since the revenues and profits generated from them are heavily dependent upon each other.

22. IMPAIRMENT TESTING ON GOODWILL, BRANDS AND TRADEMARKS

Goodwill, brands and trademarks are allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	Goodwill		**Brands and trademarks**	
	2007 HK$ million	2006 HK$ million	**2007 HK$ million**	2006 HK$ million
Branded distribution	**660**	115	**1,785**	1,780
Electronics manufacturing services	**–**	64	**–**	–
	660	179	**1,785**	1,780

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial projections approved by management. A five-year period financial budget is used for testing the impairment of goodwill. The brands and trademarks are considered by management as having indefinite useful lives. A ten-year financial budget based on management's approved long-term plans of product development and business expansion is used for testing the impairment of these brands and trademarks.

The discount rate used for value-in-use calculations is in a range of 13% to 14% (2006: 10% to 13%). Management determined the budgeted gross margin based on past performance and its expectation for market development.

23. INVENTORIES

	2007 HK$ million	2006 HK$ million
At net realisable value:		
Raw materials	**98**	254
Work in progress	**2**	57
Finished goods	**365**	642
	465	953

24. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	2007 HK$ million	2006 HK$ million
0 – 3 months	**480**	1,251
3 – 6 months	**7**	11
Over 6 months	**51**	40
	538	1,302

The carrying amount of accounts, bills and other receivables approximates their fair value.

25. INVESTMENTS HELD FOR TRADING

	2007 HK$ million	2006 HK$ million
Listed investments in Hong Kong, at market value	**–**	10
Unlisted investments, at fair value	**138**	–
	138	10

The unlisted investments included HK$108 million of fine wines held by the Group for investment purposes.

26. DERIVATIVE INSTRUMENTS

	2007		2006	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Held for trading or not qualifying as hedges:				
Derivatives embedded in non-derivative host contract	**–**	**–**	–	(1)
Derivatives instrument element of exchangeable bonds	**–**	**(63)**	–	(76)
Forward foreign exchange contracts	**2**	**(87)**	–	(2)
Interest rate swaps	**–**	**(127)**	4	(14)
	2	**(277)**	4	(93)
Less: Portion classified as current assets/(liabilities)	**2**	**(213)**	4	(93)
Portion classified as non-current liabilities	**–**	**(64)**	–	–

Interest rate swaps mature at various dates up to 22 August 2012 with variable interest rates.

27. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payables is as follows:

	2007 HK$ million	2006 HK$ million
0 – 3 months	**648**	928
3 – 6 months	**11**	65
Over 6 months	**57**	60
	716	1,053

The carrying amount of the Group's accounts and bills payable approximates their fair value.

28. BANK LOANS

	2007 HK$ million	2006 HK$ million
Secured bank loans wholly repayable:		
Within one year	**327**	115
In the second year	**10**	18
In the third to fifth years, inclusive	**41**	169
Beyond five years	**7**	35
	385	337
Portion classified as current liabilities	**(327)**	(115)
Portion classified as non-current liabilities	**58**	222
Unsecured bank loans wholly repayable:		
Within one year	**15**	149
In the second year	**16**	15
In the third to fifth years, inclusive	**16**	32
	47	196
Portion classified as current liabilities	**(15)**	(149)
Portion classified as non-current liabilities	**32**	47
The carrying amounts of the borrowings are denominated in the following currencies:		
Hong Kong Dollar	**47**	143
Renminbi Yuan	**238**	20
United States Dollar	**87**	197
Great British Pound	**–**	30
Singapore Dollar	**31**	143
Japan Yen	**29**	–
	432	533

As at the balance sheet date, 26% (2006: 4%) of the Group's total borrowings were with interest rates fixed to maturity, all such borrowings will mature within one year.

The ranges of effective interest rates on the Group's borrowings at the balance sheet date were as follows:

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	**3.17% to 7.29%**	6.12%
Variable-rate borrowings	**5.00% to 7.75%**	4.73% to 9.75%

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$ million	HK$ million	**HK$ million**	HK$ million
Amounts payable under finance leases:				
Within one year	**17**	1	**15**	1
In the second year	**17**	1	**15**	1
In the third to fifth years, inclusive	**10**	–	**10**	–
Less: future finance charges	**(4)**	–	**–**	–
Present value of lease obligations	**40**	2	**40**	2
Portion classified as current liabilities			**(15)**	(1)
Portion classified as non-current liabilities			**25**	1

30. CONVERTIBLE DEBENTURE

On 5 December 2005, the Company issued a principal amount of US$26 million (equivalent to HK$202 million) Convertible Debenture ("Convertible Debenture") at par value as part of the purchase consideration of a 37% equity interest in Emerson Radio Corp. The Debentureholder is entitled to require the Company to convert the whole or any part(s) of the principal amount outstanding under the Convertible Debenture into ordinary shares in the capital of the Company at any time between the date of issue of the Convertible Debenture and the settlement date on 5 December 2008 at a conversion price of HK$7.16 per ordinary share of the Company, provided that such part to be converted shall not be less than Hong Kong dollar equivalent to US$5 million and shall be in a multiple of US$1 million. If the Convertible Debenture has not been converted, it will be redeemed on 5 December 2008 at par, provided that the Company shall have the right, at any time by a 30-day prior written notice to debentureholder, to early redeem the whole or part of the outstanding principal amount of this Convertible Debenture. No interest for the period from the issue date to the day prior to the first anniversary of the issue date and 3% per annum for the period from the first anniversary of the issue date on 5 December 2005 until the maturity date on 5 December 2008.

The Convertible Debenture was split between the liability and derivative instrument. The derivative instrument element is presented in note 26.

	2007	2006
	HK$ million	HK$ million
Liability component at beginning of year	**192**	179
Change in fair value	**6**	13
Liability component at end of year	**198**	192
Portion classified as current liabilities	**(198)**	–
Portion classified as non-current liabilities	**–**	192

30. CONVERTIBLE DEBENTURE (continued)

The fair value of the liability component of the Convertible Debenture determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date.

31. EXCHANGEABLE BONDS ISSUED BY A SUBSIDIARY

On 22 February 2006, Hi-Tech Precision Products Ltd ("Hi-Tech"), a wholly-owned subsidiary of the Group, issued a principal amount of US$50 million (equivalent to HK$388 million) Zero Coupon Guaranteed Exchangeable Bonds ("Exchangeable Bonds") at par value to independent third parties. The holder of each Exchangeable Bond will have an exchange right to exchange such Exchangeable Bond for SEC shares at the exchange price of 40.36929 Yen per SEC share during the period beginning on and after 23 March 2006 and up to the earlier of (i) 8 February 2011 (but in no event thereafter), or (ii) if such Exchangeable Bonds shall have been called for redemption prior to 8 February 2011, then up to on the third business day immediately prior to the date fixed for redemption thereof. Assuming full exchange of the Exchangeable Bonds at the exchange price, the Exchangeable Bonds will be exchangeable into 146,683,283 SEC shares, representing 10.76% of the common stocks of SEC (subject to adjustment).

The Exchangeable Bonds are split between the liability and derivative instrument. The fair value of the liability component of the Exchangeable Bonds has been determined based on the present value of its future cash outflows discounted at the prevailing market yield of non-convertible loans with similar grading as the Exchangeable Bonds as at the balance sheet date.

	2007 HK$ million	2006 HK$ million
Liability component at beginning of year	**310**	–
Issue of Exchangeable Bonds	**–**	219
Redemption of Exchangeable Bonds	**(96)**	–
Change in fair value	**3**	91
Liability component at end of year	**217**	310

32. PROVISION FOR RETIREMENT AND LONG SERVICE

	2007 HK$ million	2006 HK$ million
At beginning of year	**35**	58
Additional provision	**3**	3
Transferred to liabilities of disposal group held for distribution	**(23)**	–
Utilisation/reversal of provision	**(6)**	(26)
At end of year	**9**	35
Analysis of provision:		
Current liabilities	**1**	21
Non-current liabilities	**8**	14
	9	35

33. SHARE CAPITAL

	2007 HK$ million	2006 HK$ million
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid:		
460,227,320 ordinary shares of HK$0.10 each	**46**	46

On 5 December 2005, the Company issued a principal amount of US$26 million Convertible Debenture due 5 December 2008 (note 30) as part of the purchase consideration of a 37% equity interest in Emerson Radio Corp. The Debentureholder is entitled to require the Company to convert the whole or any part(s) of the principal amount outstanding under the Convertible Debenture into ordinary shares in the capital of the Company. Based on the conversion price of HK$7.16 per share, a total number of 28,324,022 conversion shares will be allotted and issued upon full exercise of the conversion rights attached to the Convertible Debenture which represents approximately 6.15% of the then issued share capital of the Company and approximately 5.80% of the then enlarged issued share capital of the Company.

No conversion rights were exercised during the years ended 31 December 2006 and 2007.

34. SHARE PREMIUM

	2007 HK$ million	2006 HK$ million
At 1 January 2006, 31 December 2006 and 31 December 2007	**1,173**	1,173

35. RESERVES AND MINORITY INTERESTS

	Contributed reserve HK$ million	Investment revaluation reserve HK$ million	Capital reserve HK$ million	Exchange fluctuation reserve HK$ million	Retained profits HK$ million	Total HK$ million	Minority interests HK$ million
At 1 January 2006	961	7	49	(185)	657	1,489	458
Increased investment in subsidiaries	–	–	–	–	–	–	475
Partial disposal of subsidiaries	–	–	–	–	–	–	51
Subsidiaries reclassified as associates	–	–	–	–	–	–	(2)
Investments available-for-sale reclassified as associates	–	(7)	–	–	–	(7)	–
Surplus on revaluation of investments available–for-sale	–	1	–	–	–	1	–
Surplus on revaluation of other properties	–	–	10	–	–	10	–
Share of reserves of overseas associates	–	–	–	2	–	2	–
Arising on consolidation of overseas subsidiaries	–	–	–	29	–	29	2
Profit for the year	–	–	–	–	360	360	–
Dividend paid	–	–	–	–	(110)	(110)	(21)
At 31 December 2006 and 1 January 2007	961	1	59	(154)	907	1,774	963
Derecognisation of revalued properties arising from disposal group held for distribution	–	–	(49)	–	49	–	–
Increased investment in subsidiaries	–	–	–	–	–	–	242
Complete and partial disposals of subsidiaries	–	–	–	89	–	89	60
Impairment loss recognised in respect of interests in a subsidiary	–	–	–	(1)	–	(1)	43
Disposal group held for distribution	–	–	–	(6)	–	(6)	(363)
Disposal of investment available-for-sale	–	(1)	–	–	–	(1)	–
Diluted loss on disposal of subsidiaries	–	–	–	–	(18)	(18)	–
Surplus on revaluation of other properties	–	–	24	–	–	24	–
Arising on consolidation of overseas subsidiaries	–	–	–	23	–	23	8
Loss for the year	–	–	–	–	(595)	(595)	(43)
Dividend paid	–	–	–	–	(120)	(120)	(51)
At 31 December 2007	961	–	34#	(49)	223	1,169	859

The balance of capital reserve represents property revaluation reserve.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of additional interests in subsidiaries

	2007 HK$ million	2006 HK$ million
Net assets acquired:		
Property, plant and equipment	**55**	19
Investments available-for-sale	**79**	1
Deferred tax	**6**	74
Brands and trademarks	**–**	464
Other non-current assets	**–**	8
Cash and bank balances	**427**	136
Pledged deposits with banks	**–**	23
Accounts and bills receivable	**–**	148
Tax (liabilities)/recoverable	**(1)**	13
Inventories	**3**	256
Prepayments, deposits and other assets	**1**	40
Accounts and bills payable	**–**	(169)
Accrued liabilities and other payables	**(6)**	–
Bank loans	**(27)**	(4)
	537	1,009
Discount on increased investment in subsidiaries	**(12)**	(27)
Goodwill arising on increased investment in subsidiaries	**790**	14
	1,315	996
Represented by:		
Cash consideration paid	**56**	115
Interests in associates	**706**	406
Accounts and bills receivable	**311**	–
Minority interests	**242**	475
	1,315	996

The subsidiaries acquired during the year had no material effect on the operating loss and cashflow of the Group.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Purchase of additional interests in subsidiaries (continued)

The analysis of net inflow of cash and cash equivalents in respect of the purchase of additional interests in subsidiaries is as follows:

	2007 HK$ million	2006 HK$ million
Cash consideration paid	**(56)**	(115)
Cash and bank balances of acquired subsidiaries	**427**	136
	371	21

(b) Complete and partial disposals of subsidiaries

Summary of the effects on complete and partial disposals of subsidiaries

	2007 HK$ million	2006 HK$ million
Net assets disposed of:		
Property, plant and equipment	**137**	–
Prepaid lease payments	**7**	–
Investment properties	**77**	–
Cash and bank balances	**6**	1
Accounts and bills receivable	**55**	2
Inventories	**9**	6
Prepayments, deposits and other assets	**3**	–
Accounts and bills payable	**(49)**	(5)
Accrued liabilities and other payables	**(19)**	(6)
Bank loans	**(33)**	–
Tax liabilities	**(1)**	–
Deferred tax	**(5)**	–
	187	(2)
(Loss)/gain on complete and partial disposals of subsidiaries	**(186)**	191
	1	189
Represented by:		
Cash consideration received	**262**	24
Prepayments, deposits and other assets	**11**	69
Other non-current receivables	**–**	189
Amounts due from associates	**–**	2
Retained earnings	**18**	–
Release of reserves	**(89)**	–
Release of goodwill	**(141)**	(44)
Minority interests	**(60)**	(51)
	1	189

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Complete and partial disposals of subsidiaries (continued)

The subsidiaries completely or partially disposed of during the year had no material effect on the operating loss and cashflow of the Group.

The analysis of net inflow of cash and cash equivalents in respect of the complete and partial disposals of subsidiaries is as follows:

	2007 HK$ million	2006 HK$ million
Cash consideration received	**262**	24
Cash and bank balances of disposed subsidiaries	**(6)**	(1)
	256	23

(c) Major non-cash transactions

(i) Subsidiaries reclassified as associates

Summary of the effects of subsidiaries reclassified as associates

	2007 HK$ million	2006 HK$ million
Net assets reclassified:		
Property, plant and equipment	**–**	299
Prepaid lease payments	**–**	13
Accounts and bills receivable	**–**	59
Prepayments, deposits and other assets	**–**	7
Accounts and bills payable	**–**	(12)
Accrued liabilities and other payables	**–**	(23)
Bank loans	**–**	(110)
Minority interests	**–**	(2)
	–	231
Represented by:		
Interests in associates	**–**	8
Amounts due from associates	**–**	223
	–	231

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions (continued)

(ii) Acquisition of subsidiaries

	2007 HK$ million	2006 HK$ million
Net assets acquired:		
Property, plant and equipment	–	24
Cash and bank balances	–	6
Accounts and bills receivable	–	21
Prepayments, deposits and other assets	–	2
Accounts and bills payable	–	(8)
Accrued liabilities and other payables	–	(2)
Obligations under finance leases	–	(13)
Bank loans	–	(8)
	–	22
Goodwill arising on acquisition	–	58
	–	80
Represented by:		
Amounts due to associates	–	80

The subsidiaries acquired during the years 2006 had no material effect on the profit and cashflow of the Group.

(iii) Purchase consideration for increasing investment in subsidiaries of HK$311 million during the year was discharged through accounts receivable.

37. DISCONTINUED OPERATIONS

(a) Profit of the disposal group held for distribution for the year:

	Note	2007 HK$ million	2006 HK$ million
Turnover		**618**	557
Cost of sales		**(579)**	(486)
Gross profit		**39**	71
Other income	(i)	**434**	86
Loss on disposal of subsidiaries		**(34)**	–
Distribution costs		**(11)**	(4)
Administrative costs		**(32)**	(34)
Other operating expenses		**(7)**	(2)
Finance costs		**(6)**	(3)
Profit before tax		**383**	114
Tax		**–**	(2)
Profit for the year		**383**	112
Attributable to:			
Shareholders of the Company		**371**	84
Minority interests		**12**	28
		383	112

Note: (i) Other income includes HK$398 million (2006: HK$52 milliion) unrealised gain in respect of the increase in fair value of investment properties.

37. DISCONTINUED OPERATIONS (continued)

(b) The major classes of assets and liabilities of the disposal group held for distribution as at the balance sheet date:

	2007 HK$ million
Assets:	
Property, plant and equipment	106
Investment properties	787
Prepaid lease payments	203
Interests in associates	1
Goodwill	59
Cash and bank balances	85
Accounts and bills receivable	207
Inventories	86
Amounts due from group companies	7
Prepayments, deposits and other assets	71
Release of exchange fluctuation reserve	(6)
	1,606
Liabilities:	
Accounts and bills payable	156
Accrued liabilities and other payables	50
Amounts due to associates	3
Bank loans	325
Deferred tax	1
Minority interests	363
	898
Represented by:	
Assets of a disposal group held for distribution	1,606
Liabilities of a disposal group held for distribution	(898)
Net assets directly associated with the disposal group held for distribution	708

(c) Net cash flows incurred by the disposal group held for distribution:

	2007 HK$ million
Operating activities	20
Investing activities	(47)
Financing activities	191
Net cash inflow of the disposal group held for distribution	164

38. CONTINGENT LIABILITIES

	2007 HK$ million	2006 HK$ million
Bills discounted with recourse	**122**	136
Guarantee of trade finance banking facilities granted to a former associate	**–**	15

Towards the end of the 2005, the Hong Kong Inland Revenue Department ("HKIRD") initiated a field audits on certain subsidiaries of the Group for the financial years from 1998 to 2006 for the purpose of ascertaining the Hong Kong tax liabilities of these subsidiaries. The Group has appointed tax advisers in Hong Kong to advise them with respect to the field audits. The HKIRD has granted the Group time to collate information requested by the HKIRD and in the meantime has issued protective assessments to which the Group has filed objections. In addition, additional assessments were issued to certain subsidiaries for which Tax Reserve Certificates of amount HK$28 million have been purchased. The Group's tax advisers had advised that at this stage it is impractical to determine whether the field audits will result in any additional tax liabilities for the subsidiaries. In the circumstances, the directors are of the opinion that the Group's Hong Kong tax provision is sufficient and it is not feasible and they are not able at this time to make any judgement or determination as to whether the field audit will result in any additional tax liability. Accordingly no provision for any liability that may result has been made in the financial statements.

39. COMMITMENTS

	2007 HK$ million	2006 HK$ million
(a) Capital commitments:		
Contracted for	**–**	–
Authorised, but not contracted for	**–**	–
	–	–

(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2007 HK$ million	2006 HK$ million
Land and buildings:		
Not later than one year	**38**	38
Later than one year and not later than five years	**83**	88
Later than five years	**21**	33
	142	159

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2006: 3 years) and rentals are fixed for an average of 3 years (2006: 3 years).

	2007 HK$ million	2006 HK$ million
Others:		
Not later than one year	**7**	7
Later than one year and not later than five years	**13**	17
	20	24

39. COMMITMENTS (continued)

	2007 HK$ million	2006 HK$ million
(c) At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:		
Investment properties:		
Not later than one year	**–**	2
Later than one year and not later than five years	**–**	3
	–	5

40. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	2007 HK$ million	2006 HK$ million
(a) Legal charges over brands and trademarks, account receivables and inventories	**642**	493
(b) Legal charges over medium-term prepaid lease and buildings in Hong Kong	**–**	59
(c) Legal charges over investment properties	**38**	394
(d) Legal charges over plant and equipments	**108**	36
(e) Pledge of medium-term prepaid lease and buildings outside Hong Kong	**100**	64
(f) Pledge of marketable securities	**223**	587
(g) Pledge of bank deposits	**101**	33
	1,212	1,666

41. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff of the Group in Hong Kong were offered the opportunity to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), introduced by the Hong Kong Special Administrative Region. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$1,000. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contribution under the pension scheme.

The staff in United States of America who wish to participate in the plan may contribute up to the legal limits, to which a specified percentage is matched by the subsidiaries in accordance with their plans.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries, including subsidiaries in the Denmark, Singapore and Malaysia. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the schemes, which contribution is matched by employees.

42. SEGMENT REPORTING

(a) Business segments

The Group comprises of:

Groups	Principal activities
(i) Branded distribution	Trading of audio & video products, licensing business and securities trading.
(ii) Electronics manufacturing services	Manufacture and trading of electronic products

42. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2007	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Turnover:							
Sales of goods to external customers	4,313	2,861	–		7,174	618	7,792
Royalty income from external customers	13	–	–		13	–	13
Inter-segment sales	28	7	(35)		–	–	–
Total	4,354	2,868	(35)		7,187	618	7,805
Results:							
Segment results	(65)	(7)	–		(72)	31	(41)
Unallocated corporate expenses				(35)	(35)	–	(35)
				(35)	(107)	31	(76)
Loss on disposal of property, plant and equipment	(1)	(3)	–		(4)	–	(4)
Gain on disposal of investment available for sale	2	–	–		2	–	2
Net increase/(decrease) in fair value of investment properties	1	(1)	–		–	398	398
Discount on increased investment in subsidiaries	12	–	–		12	–	12
Share of loss of associates	(1)	(3)	–		(4)	–	(4)
Impairment loss recognised in respect of -							
Investments available-for-sale	(2)	–	–		(2)	–	(2)
Property, plant and equipment	(2)	–	–		(2)	–	(2)
Interests in a subsidiary				(139)	(139)	–	(139)
Interests in associates					–	(7)	(7)
Receivable from an associate				(20)	(20)	–	(20)
Change in fair value of derivative instruments				(82)	(82)	–	(82)
Group restructuring costs and expenses -							
Loss on complete and partial disposal of subsidiaries				(152)	(152)	(34)	(186)
Loss on restructured operations				(105)	(105)	–	(105)
Allowance for doubtful debts				(303)	(303)	–	(303)
Goodwill written off				(12)	(12)	–	(12)
Deferred development costs				(47)	(47)	–	(47)
Interest income				29	29	1	30
Interest expenses				(66)	(66)	(6)	(72)
Taxation				(19)	(19)	–	(19)
(Loss)/profit for the year				(951)	(1,021)	383	(638)

42. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2007	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Assets:							
Segment assets	5,115	3,197	(2,863)	154	5,603	1,606	7,209
Liabilities :							
Segment liabilities	4,006	2,722	(4,151)	487	3,064	898	3,962
Other information:							
Depreciation and amortisation	69	16		6	91	12	103
Capital expenditure	171	–		1	172	3	175

42. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2006 (Restated)	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Turnover:							
Sales of goods to external customers	6,608	2,021	–		8,629	557	9,186
Royalty income from external customers	37	–	–		37	–	37
Securities trading	89	–	–		89	–	89
Inter-segment sales	–	40	(40)		–	–	–
Total	6,734	2,061	(40)		8,755	557	9,312
Results:							
Segment results	236	(19)	–		217	63	280
Unallocated corporate expenses				(23)	(23)	–	(23)
				(23)	194	63	257
Loss on disposal of property, plant and equipment	(2)	(19)	–		(21)	–	(21)
Gain on disposal of investment properties	1	–	–		1	–	1
Gain on partial disposal of subsidiaries	191	–	–		191	–	191
Net increase in fair value of investment properties	32	–	–		32	52	84
Discount on increased investment in subsidiaries	26	1	–		27	–	27
Impairment loss recognised in respect of:							
– Interests in associates	(56)	–	–		(56)	(2)	(58)
– Investments available–for-sale	(16)	–	–		(16)	–	(16)
Share of loss of associates	(1)	(4)	–		(5)	–	(5)
Interest income				25	25	4	29
Interest expenses				(92)	(92)	(3)	(95)
Taxation				(32)	(32)	(2)	(34)
Profit for the year				(122)	248	112	360

42. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2006 (Restated)	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Assets:							
Segment assets	5,568	2,101	(2,138)	149	5,680	1,499	7,179
Interests in associates	752	4	–	–	756	52	808
	6,320	2,105	(2,138)	149	6,436	1,551	7,987
Liabilities:							
Segment liabilities	4,064	1,699	(2,399)	353	3,717	314	4,031
Other information:							
Depreciation and amortisation	58	37		5	100	17	117
Capital expenditure	138	33		1	172	235	407
Allowance of doubtful debts	34	–		–	34	–	34

(b) Geographical segments

	Turnover		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2007 HK$ million	2006 HK$ million (Restated)	**2007 HK$ million**	2006 HK$ million	**2007 HK$ million**	2006 HK$ million
Asia	**3,853**	3,901	**4,747**	5,688	**169**	407
North America	**2,765**	4,215	**672**	321	**6**	–
Europe	**569**	639	**5**	198	**–**	–
Unallocated	**–**	–	**1,785**	1,780	**–**	–
	7,187	8,755	**7,209**	7,987	**175**	407

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary share / registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Directly held :					
Broadland Investments Limited	British Virgin Islands	US$106	**100%**	100%	Investment holding
The Grande (Nominees) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
The Grande (Secretaries) Service Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
The Grande Group Limited	Singapore	S$5,000,000	**100%**	100%	Provision of management services
Grande N.A.K.S. Ltd	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
The Grande Industries Limited	British Virgin Islands	US$101	**100%**	100%	Investment holding
The Grande Capital Group Limited	British Virgin Islands	US$1	**100%**	100%	Corporate finance and investment holding
Sheer Profit Corporation	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly held :					
Sansui Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Trading of audio and video products
Sansui Acoustics Research Corporation	British Virgin Islands	US$2	**100%**	100%	Brands and trademarks holding
Nakamichi Designs Limited	British Virgin Islands	US$50,000	**100%**	100%	Brands and trademarks holding
Nakamichi Research (S) Pte Ltd	Singapore	S$600,000	**100%**	100%	Research and development

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary share / registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Indirectly held : (continued)					
Nakamichi Corporation Limited	Singapore	S$2	**100%**	100%	Trading of audio and video products
Capetronic Display Devices Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding
The Capetronic Group Limited	Cayman Islands	HK$62,844,690	**100%**	100%	Investment holding
Akai Electric Co., Ltd.	Japan	JPY4,684,650,000	**88%**	88%	Trading of audio and video products
Phenomenon Agents Limited	British Virgin Islands	US$50,000	**88%**	88%	Brands and trademarks holding
Akai Sales Pte. Ltd.	Singapore	S$2	**88%**	88%	Trading of audio and video products
Nakamichi Corporation	Japan	JPY209,640,000	**100%**	100%	Trading of audio and video products
Tomei Kawa Electronics International Limited	British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Emerson Radio Corp. ^	United States of America	US$529,000	**58%**	51%	Engaged in the consumer electronics industry
Hi-Tech Precision Products Ltd	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sansui Electric Co., Ltd. +	Japan	JPY5,794,263,000	**40%**	30%	Sale of audio, visual and other electronic products

^ *Listed on the American Stock Exchange of United States of America.*

\+ *Listed on the first section of the Tokyo Stock Exchange.*

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary share / registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Indirectly held : (continued)					
The Alpha Capital Services Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance
The Alpha Capital Limited	Hong Kong	HK$13,121,760	**100%**	100%	Provision of corporate finance and financial advisory services
Vigers Property Management Services (Hong Kong) Limited	Hong Kong	HK$8,000,000	**100%**	100%	Property management
Vigers Realty Limited	Hong Kong	HK$10,000	**100%**	100%	Realty services
Vigers Appraisal and Consulting Limited	Hong Kong	HK$1,000,000	**100%**	100%	Assets appraisal services
Vigers Building Consultancy Limited	Hong Kong	HK$100	**100%**	100%	Building consultancy services
Capetronic Group Ltd	British Virgin Islands	US$10,000	**85%**	85%	Investment holding
Tomei Shoji Limited	British Virgin Islands	US$1	**85%**	85%	Manufacture of mechadecks and video products
Capetronic Technology Ltd	Hong Kong	HK$2,184,060	**100%**	100%	Trading of audio and video products
E-Zone Group Holdings Limited	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
The Grande Group (Hong Kong) Limited	Hong Kong	HK$20	**100%**	100%	Provision of administration services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary share / registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Indirectly held : (continued)					
Polycrown Company Limited	Hong Kong	HK$100,000	**86%**	86%	Property holding
South Sea International Press Limited	Hong Kong	HK$10,000,000	**86%**	86%	Manufacture and sale of printed products

44. POST BALANCE SHEET EVENT

On 9 January 2008, the Board declared a second interim dividend by way of a distribution in specie of seven Lafe shares for every five ordinary shares of the Company held by the shareholders on the register of members on 31 January 2008. Definitive certificates for Lafe shares were despatched to the qualifying shareholders of the Company on 29 February 2008. The fair value of Lafe share at 29 February 2008 was HK$1.10 each which equates to a dividend of HK$1.54 per share on 460.2 million shares amounting to a total of HK$708 million. Upon completion of the distribution in specie, the Group's interest in Lafe was reduced to less than 1% and Lafe ceased to be a subsidiary of the Group.

45. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2008.