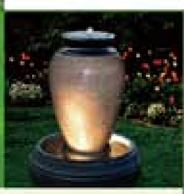
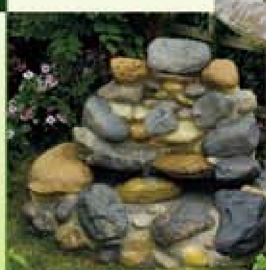
PEAKTOP GROUP

Peaktop International Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 925





Annual Report **2007**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIN Chun Kuei *(Chairman and Chief Executive Officer)*
Mr. Andree HALIM *(Co-vice Chairman)*
Mr. NG Kin Nam *(Co-vice Chairman)*
Mr. LI Chien Kuan
Mr. LIN Chun Fu
Mrs. LIN HUANG Su Feng (resigned on 17 July 2007)
Mr. CHEUNG Kwok Ping (resigned on 17 July 2007)

Independent Non-executive Directors

Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto (appointed on 30 May 2007)
The Hon. Bernard Charnwut CHAN (resigned on 30 May 2007)

AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew *(Chairman)*
Mr. GOH Gen Cheung
Mr. NG Tang Fai, Ernesto

NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto *(Chairman)*
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. LIN Chun Kuei
Mr. LI Chien Kuan

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. LIN Chun Kuei
Mr. LI Chien Kuan

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. JAN Wing Fu, Barry (appointed on 26 March 2008)
Mr. TONG Chak Wai, Wilson (resigned on 26 March 2008)

AUDITORS

CCIF CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1603–1605, 16th Floor
Tower III, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL BANKERS

Bangkok Bank Public Company Limited
Citic Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Indover Bank (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock code: 925)

CHAIRMAN'S STATEMENT

Lin Chun Kuei
Chairman

Dear shareholders,

On behalf of the Board of Directors (the "Board"), I hereby announce the audited consolidated results of Peaktop International Holdings Limited and its subsidiaries (the "Group'') for the year ended 31 December 2007.

During the period, the Group recorded a turnover of HK$495,047,000, representing a decrease of 55% from 2006. Net loss from ordinary activities attributable to shareholders was HK$193,838,000.

BUSINESS REVIEW

Gardening and water gardening products, candles and indoor lifestyle products, outdoor lifestyle products are still the major business segments of the group. Although the consolidated sales amount has dropped significantly in comparison with last year, the major markets for the group's products are still distributed in North America & Europe in the past and coming years.

The Group keeps product innovation as the guidance & principle to provide the major customers with the updated products trend and the service to consumers, which promotes their lifestyle and makes their purchase valuable to pursue. As usual, the Group invites all major customers to the manufacturing factories in China & Vietnam during their annual purchase trip to Asia to select products for their upcoming orders.

The staffs of the Group's Development & Research Department go abroad to take part in the important product shows held in USA & Europe by the worldwide factories in accordance with the overall working schedule. By the chance, they discuss about the product trend for this year & the next year and the consumers' expectation to the new products with the persons of Product Department of our major customers and to exploit the creation idea for the new products. For this purpose, the Group makes more investment any than other manufacturers and tries to be the leader in the marketplace. Nevertheless, the Group must cut the development expense further to control the cost and improve the competitive capability.

For the past year, the most of importing areas' economic, especially USA are affected by the downturn of the real estate and the change of the products need & choices, thus the purchase policy for products has become more conservative. The Group's management team was endeavor to re-engineer the production process in order to lower down the costs so as to meet with buyer's purchase policy. All these efforts were not helpful much to the consolidated sales in 2007. However those efforts have established the stable basis on the overall sales strategy for 2008 and beyond for the Group.

CHAIRMAN'S STATEMENT

The Group's management team continues its internal restructure process to make movement and adjustment for the manufacturing factories in China to further reduce the fixed production cost & product cost. The closure of overseas non-performing subsidiaries is still in process and will be completed in due course. The high inflation of raw material worldwide since the second half of last year and crude oil are leading other company's major materials' price to increase. Also the total product cost is increasing due to the rise of the labor cost in China. However the group can hardly transfer those additional costs to the consumers immediately. Meanwhile the change of the tax policy in China, the refund of the export tax which has been reduced, the continuous appreciation of RMB and the new or revisal accounting standards are causing the Group to perform in a substantial loss for 2007.

The Group's management team continues the restructuring process in accordance with the current business need to perform diligently for the direction and goal and always pay attention to the operational threats, risks and make the necessary adjustment in order to return to the shareholders. The Group's strategy improving the Company's performance is to increase market share in the industry changed.

CORPORATE GOVERNANCE

To enhance corporate transparency and ensure fulfillment of openness, the Audit Committee that has been established under the Board and comprised of our Independent Non-executive Directors, has become the mechanism for corporate governance. As stipulated, the Audit Committee convenes meetings prior to results announcements and major events and when the Board is required to report to the Audit Committee. The Remuneration and Nomination Committees have convened meeting to enhance corporate governance function.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2007.

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

In April, 2005, The Group set up a nomination committee and remuneration committee, both comprising mainly of Independent Non-executive Directors. The nomination committee is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the board on a regular basis, ensuring the competitive position of the organization, evaluating the leadership abilities of executive and non-executive directors and ensuring fair and transparent procedures for the appointment of directors to the Board. The remuneration committee is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2007.

PROSPECT

The world economics under the high crude oil prices situation, the structural changes of our customers in our main marketplace, and the sustaining appreciation of exchange rate for RMB do affect the demand for our products in the short term. But the Group possesses the development ability, the manufacturing technology, the excellent customer basis and adequate production layout for the long term.

Normally, the Group offers the quotation to importers ahead on a short-term basis. This worldwide inflation is not a short-term one. All the importers have started to accept the new quotation with price increase. Therefore, the Group can earn reasonable margin in accordance with the strategy of selective orders acceptance policy.

CHAIRMAN'S STATEMENT

The Board has decided to reduce or sell part of its fixed asset, such as land and properties and also apply to change the RMB loan from the short-term to medium & long term, as well as to bring the strategic investors who will bring in the new business items and also to inject the working capital for the need in operation.

Despite of the statement stated in the independent Auditor's Report, we, the directors, believe that the Group will improve its performance with its proven new product development capability, strong manufacturing expertise, excellent client base and the right production base layout in 2008 and beyond. Regarding to the non-compliance with certain financial covenants of certain bank facilities, the breach of such covenants had been subsequently resolved and waived after the year end date.

Through years of exploration, review and improvement, the Group has set out clear long-term goals. We will continue to consolidate our market competitive advantages, provide premium products to consumers, including those new business items provided by the strategic partner, offer good working environment and self-enhancement opportunities to staff, create and add to shareholder value, and generate social and economic benefits to all business associates of the Group.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our appreciation to our shareholders, customers, banks and business partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

Lin Chun Kuei
Chairman

Hong Kong, 9 May 2008

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF RESULTS

The Group's consolidated turnover for year 2007 was HK$495,047,000 (2006: HK$1,089,187,000), decreased by 55% as compared to that of year 2006. The major reason for the decrease in consolidated turnover was the losses of the customers' orders from a few major customers.

Loss attributable to shareholders for year 2007 amounted to HK$193,838,000 (2006: profit of HK$13,766,000). The loss includes a total of one-time write-off of HK$58,492,000 which are 1. HK$15,308,000 for laying off the redundant labor in the factories in the PRC; 2. HK$369,000, HK$166,000, HK$6,718,000 for write-offs of the assets for winding up the factories in Zhongshan, Fuqing, and other minor facilities respectively; 3. HK$1,917,000 and HK$17,312,000 for write-offs of the investment and inter-company receivables of the 70% owned subsidiary in United Kingdom, Heissner UK, respectively; 4. HK$312,000 and HK$1,449,000 for write-offs of accounts receivable and fixed assets of the 90% owned subsidiary in Australia, Waterwerks, respectively; 5. HK$8,096,000 for paying the legal costs for the legal cases in Hong Kong, the United States, and the PRC; and 6. HK$6,845,000 for provision of slow-moving inventories.

SEGMENTAL TURNOVER

In year 2007, the United States and Europe remained the Group's largest markets.

The Group's export sales to the United States decreased by 46% to HK$362,215,000 (2006: HK$675,033,000), representing 73% (2006: 62%) of the Group's total turnover. The Group's export sales to Europe decreased 80% to HK$52,419,000 (2006: HK$267,664,000), representing 11% (2006: 25%) of the Group's total turnover. The decrease in the Group's export sales to Europe was due to the completion of the disposal of the German subsidiary, Heissner AG, in June 2006. The Group had consolidated the turnover of Heissner AG for the first 8 months of year 2006 amounted to HK$225,562,000.

The Group's major products were outdoor decorative products and indoor decorative products. In year 2007, the total turnover of outdoor decorative products and indoor decorative products amounted to HK$207,439,000 (2006: HK$679,007,000) and HK$246,638,000 (2006: HK$315,511,000) respectively, representing 42% (2006: 62%) and 50% (2006: 29%) of the Group's total turnover respectively.

MAJOR DISPOSAL EVENTS

Disposal of the factory premises situated in Zhongshan City in Guangdong Province in the PRC

On 31 December 2007, the Group entered into an agreement with an independent third party to dispose the factory premises situated in Zhongshan City, Guangdong Province in the PRC for a consideration of RMB28,200,000 (equivalent to HK$29,328,000). Upon completion of the transaction in March 2008, the group will record a gain on disposal and net cash inflow (after repaying the outstanding mortgage loan of RMB13,267,000 and accrued expenses of RMB2,258,000) of HK$4,573,000 and HK$13,182,000 respectively. The cash proceed has been used to reduce bank borrowing and enhance the liquidity of the Group.

Disposal of the equity interest of the investment in August 2007

On 6 August 2007, the Group entered into an agreement with an independent third party to dispose 4.45% of the equity interest of investment in Changzhou Yabang Chemical Co., Ltd. for a consideration of USD1,350,000 (equivalent to HK$10,530,000). Upon completion of the transaction in December 2007, the group has recorded a gain on disposal and net cash inflow of HK$6,243,000 and HK$10,140,000 respectively. The cash proceed has been used to enhance the liquidity of the Group.

FINANCIAL AND MANAGEMENT REVIEW

Cost Control

During the period under review, the Group's gross profit margin was significantly decreased from 38.8% in year 2006 to 9.6% in year 2007. Despite of many cost control measurements taken by the Group in year 2007, the cost was considered to be relatively high. The cost, especially the fixed overhead, was not reduced according to the decrease in total turnover. The fixed overhead percentage were 29.0% and 19.4% in years 2007 and 2006 respectively.

Selling, General and Administrative and Other Expenses

In year 2007, total selling expenses of the Group was HK$89,184,000 (2006: HK$267,206,000), representing 18% (2006: 25%) of the total turnover. The decrease in total selling expenses was mainly due to the decrease of total turnover which consequently decreased the commission expenses of HK$89,448,000, freight cost of HK$25,395,000, and salaries and allowance of HK$19,808,000.

In year 2007, total general and administrative expenses of the Group was HK$130,011,000 (2006: HK$128,934,000), increased by 1% as compared to that of year 2006, representing 26% (2006: 12%) of the total turnover.

Other revenue and other net (loss)/income

In year 2007, the total other revenue and other net (loss)/income of the Group was HK$12,312,000 (2006: HK$34,301,000), decreased by 64% as compared to 2006, representing 3% (2006: 3%) of the total turnover.

Liquidity, Financial Resources and Finance Costs

The Group finances its operations with internally generated cash flows, banking facilities, proceeds from new share placements, and shareholders' loans. As at 31 December 2007, the Group had aggregate available banking facilities of HK$379,768,000 (2006: HK$389,800,000), of which HK$224,545,000 (2006: HK$248,953,000) was utilized and subject to floating market rates. The Group's cash and bank balance at that date amounted to HK$41,188,000 (2006: HK$27,772,000), which was denominated in mainly United States dollars, Hong Kong dollars, and Renminbi. This together with unutilized banking facilities will enable the Group to finance its operational needs.

As at 31 December 2007, the Group's current ratio and quick ratio were 67% (2006: 87%) and 46% (2006: 47%) respectively. At that date, the Group's total borrowing, was reduced from HK$250,973,000 as at 31 December 2006 to HK$234,717,000, which included short-term borrowing and long-term borrowing of HK$219,929,000 (2006: HK$245,621,000) and HK$14,788,000 (2006: HK$5,352,000) respectively. The decrease in total borrowing was due to the reduction of total turnover which required less financing activities. As at 31 December 2007, the Group's gearing ratio, defined as total borrowing as percentage of total assets, was 44% (2006: 39%).

In year 2007, total finance costs incurred by the Group was HK$20,148,000 (2006: HK$29,288,000), representing a 31% decrease as comparing to that of year 2006. The decrease in total finance costs was mainly due to the decrease of the demand for cashflow which subsequently decreased the financing activities.

Dividend

The directors do not recommend the payment of any dividend for the year (2006: Nil).

Share Placement

On 26 July 2007, the Company entered into a placing agreement whereby the Company placed an aggregate of 63,000,000 new ordinary shares of the Company of HK$0.10 each to not less than six placees who are independent third parties to the Company at a price of HK$0.86 per ordinary share. The placing was completed on 7 August 2007. The net proceeds from the placing of approximately HK$52,800,000 was used for reducing bank borrowings and general working capital purpose.

On 10 October 2007, the Company entered into conditional Subscription Agreements with Mr. Lin Chun Kuei, Mr. Ng Kin Nam and Tian Wan Pte Ltd who are Executive Directors and an associate of the Executive Director of the Company, pursuant to which, they had agreed to subscribe for an aggregate of 79,000,000 shares at a price of HK$0.45 per share in an aggregate amount of HK$35,550,000. The Subscription was completed on 28 November 2007.

On 24 December 2007, the Company entered into a placing agreement whereby the Company placed an aggregate of 184,000,000 new ordinary shares of the Company of HK$0.10 each to not less than six placees who are independent third parties to the Company at a price of HK$0.35 per ordinary share. The placing did not proceed to completion and the agreement was lapsed on 25 March 2008.

Shareholders' Loans

From July to August 2007, (1) Tian Wan Pte Ltd., a company controlled by Mr. Andree Halim, the director of the Company, and Mr. Daniel Halim advanced to the Company HK$12,000,000; (2) Anna Huang, wife of Mr. Lin Chun Kuei advanced to the company HK$7,800,000; (3) Mr. Ng Kin Nam advanced HK$12,000,000 and were fully repaid to the shareholders in November 2007. The amount due to the shareholders is unsecured, interest-free and repayable on or before 26 October 2007.

In addition, on 21 December 2007, Tian Wan Pte Ltd and Mr. Ng Kin Nam advanced to the Company HK$3,000,000 and HK$2,000,000 respectively. The amounts due to the shareholders are unsecured, interest-free and repayable on demand.

Subsequent to the balance sheet date, certain directors and substantial shareholders of the Company have advanced totaling HK$44,958,000 to the Company as general working capital purpose.

Capital Expenditure

The Group incurred a total capital expenditure of HK$23,935,000 (2006: HK$31,377,000) in year 2007, which included: HK$13,661,000 (2006: Nil) for construction of new building premises; HK$1,019,000 (2006: HK$1,030,000) for mainly remodeling the manufacturing plant in order to apply for the official land and building certificates for that manufacturing plant in Shenzhen City in Guangdong Province in the People's Republic of China, HK$7,464,000 (2006: HK$8,490,000) for acquiring mould, machinery and equipment in the PRC and Vietnam, HK$1,625,000 (2006: HK$6,134,000) for acquiring other fixed assets and HK$166,000 (2006: HK$15,723,000) for acquiring intangible assets.

Foreign Exchange Exposure

For year 2007, the Group's major revenue was denominated in the United States dollars, while banking facilities repayment and purchase were made essentially in the corresponding currencies and Renminbi, thus establishing a natural hedge. During the year under review, the Group was exposed to certain risks of exchange fluctuations. To further reduce exchange risks, the Group has utilized foreign exchange hedging tools and will continue to closely monitor exchange rate movements.

Impact of the Revaluation of Renminbi

All of the Group's sales are denominated in either United States dollars while some of the Groups' purchases are denominated in Renminbi. As at 31 December 2007, the Group had an outstanding balance of accounts payable and bank loans, denominated in Renminbi, for HK$50,096,000 (2006: HK$71,468,000) and HK$84,563,000 (2006: HK$78,100,000) respectively. As at 31 December 2007, there was no outstanding trust receipt loans denominated in Renminbi (2006: Nil). The fluctuation of Renminbi exchange rate has affected the business operations of the Group. During the period under review, the appreciation of Renminbi has caused slightly adverse effect on the current operating results and financial position of the Group. To reduce the possible impact in the future, the Group has negotiated to reduce purchases nominated in Renminbi and incorporate the exchange risk in all quotations.

Contingent Liability

As at 31 December 2007, the Group had no significant contingent liability (2006: Nil).

Charge on Assets

As at 31 December 2007, certain assets of the Group with aggregate carrying value of HK$151,245,000 (2006: HK$172,053,000) were pledged to secure loan facilities utilized by the Group.

Employees

As at 31 December 2007, the Group had a total of 3,458 (2006: 5,724) employees. Total staff cost incurred during the year 2007 amounted to HK$126,462,000 (2006: HK$156,382,000), excluded staff cost included in cost of sales and directors' remuneration. The total staff cost incurred in year 2007 included HK$15,308,000 for the one-off redundant payments for laying off the staff and labor in the PRC. The Group offers a comprehensive remuneration and benefit package to its employees, and remuneration policies are reviewed by the management on a regular basis.

The Group also adopts a share option scheme, which is reviewed and revised periodically in accordance with the latest statutory requirements. The Group has already taken into account the comparable remuneration level of the market when structuring the scheme.

PROSPECTS

Under the current unstable global economics environment, the Group has taken various major cost control measures which include: 1. concentration of production facilities from six manufacturing plants in year 2006 to four manufacturing plants in year 2007; 2. reduction of total number of employees from 5,700 people in year 2006 to 3,500 people in year 2007; and 3. speeding up the closing of the non-performing overseas sales offices.

While the Group continues to strengthen the existing business, the management is also actively exploring new business opportunities for the Group. The opportunities are not limited to the manufacturing industry, and the management is open to any business opportunity as long as the new business could bring benefits to the Group. The management will actively consider new investments.

In the meantime, the Group continues to focus on its manufacturing business in Asia and minimize direct participation in the distribution business, so as to minimize the unnecessary business risk. As regard to customers, the Group will continue to enhance the relationship with the customers and expects to recover some of the lost orders in the coming year. The Group is confident that the total turnover and performance may gradually improve in the next years.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

BOARD OF DIRECTORS
EXECUTIVE DIRECTORS

MR. LIN CHUN KUEI

(alias C. K. Lin), Chairman and Chief Executive Officer, aged 57. He is responsible for formulating the overall business strategy and plans of the Group. Mr. Lin has over 20 years of experience in the giftware industry. Before establishing the Group's giftware business, he operated the machine and spare parts manufacturing business. He is the spouse of Mrs. Lin Huang Su Feng, the Vice President of the Group. He is the brother of Mr. Lin Chun Fu, an Executive Director of the Company. He is the father of Mr. Lin Wei Hung, the President of Silk Road Gifts, Inc., a subsidiary of the Group. He is also the brother of Mr. Lin Chun Ter, the Head of Outsourcing Department of the Group.

MR. ANDREE HALIM

Co-vice Chairman, aged 60. He graduated with a diploma in Business Studies from the South East London Technical College of United Kingdom. He has been appointed as a director and a vice chairman of QAF Limited since October 2003. QAF Limited is an investment holding company listed on the main board of the Singapore Exchange. Mr. Halim is an entrepreneur and holds interests in a wide range of businesses. He also holds directorships in various other private enterprises. He is a director and a shareholder of Tian Wan Pte Ltd., a substantial shareholder of the Company.

MR. NG KIN NAM

Co-vice Chairman, aged 49. He joined the Group in August 2002. He is the chairman of Reputed Industrial Co. Ltd. He is a non-executive director and a vice chairman of IPE Group Limited which is listed on the main board of the Stock Exchange of Hong Kong, and a director of Integrated Precision Engineering Co., Ltd. Mr. Ng has over 30 years of experience in various types of connector parts and electronic precision parts manufacturing business. In addition, he serves as the Honorable President of Eastern District Industries & Commerce Association, the Life Honorable President of Jin Jiang Clans Association (H.K.) Ltd., the Vice President of Ng Clan's Association, the Honorable President of The HK Fujian Charitable Education Fund and the director of Guangdong Chamber of Foreign Investors.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

MR. LI CHIEN KUAN

(also known as Spencer Lee), aged 61. He holds a bachelor's degree in commerce from Soochow University of Taiwan. Mr. Li has over 30 years of experience in accounting and finance. He had served various international companies before joining the Group in 1991. He is responsible for monitoring the overall finance and management strategies and plans of the Group. Since January 2002, Mr. Li has been assisting the Chief Executive Officer in supervising the Group's Management and Control Center in coordinating, organizing, managing and controlling all operational units within the Group. In addition to the above functions, he is now concentrating in the affairs of restructure, management and new investment of overseas operation units.

MR. LIN CHUN FU

(as known as C. F. Lin), aged 53. He joined the Group in 1991 and is in charge of the Group's Product and Sales Departments. Mr. Lin has over 20 years of experience in the giftware manufacturing industry. Mr. Lin is the brother of Mr. Lin Chun Kuei and Mr. Lin Chun Ter, the Chairman of the Group and the Head of Outsourcing Department of the Group respectively. He is also the brother-in-law of Mrs. Lin Huang Su Feng, the Vice President of the Group and the uncle of Mr. Lin Wei Hung, the President of Silk Road Gifts Inc., a subsidiary of the Group.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. GOH GEN CHEUNG

Aged 61. He has been appointed as Independent Non-Executive Director since December 1997. He has over 33 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and has a master's degree in business administration from the University of East Asia in Macau. Mr. Goh also sits on the board as independent non-executive director of CEC International Holdings Limited, China Favours and Fragrances Company Limited, Karce International Holdings Company Limited and Shinhint Acoustic Link Holdings Limited, public companies listed on The Stock Exchange of Hong Kong Limited.

MR. MA CHIU CHEUNG, ANDREW

Aged 66. He has been appointed as an Independent Non-Executive Director since September 2004. He is a founder and a former director of Andrew Ma DFK (CPA) Limited. He is presently a director of Mayee Management Limited. He has more than 30 years of experience in the field of accounting and finance. He received his bachelor's degree, majoring in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. In addition to his directorship in the Company, Mr. Ma is also an independent non-executive director of Asia Financial Holdings Limited, Tanrich Financial Holdings Limited, C.P. Pokphand Company Limited, China Resources Power Holdings Company Limited and Chong Hing Bank Limited; all of which are companies listed on the Main Board of the Stock Exchange. Mr. Ma is also a non-executive director of Asian Citrus Holdings Limited, a company listed on the AIM board of The London Stock Exchange.

MR. NG TANG FAI, ERNESTO

Aged 64. He has been appointed as Independent Non-Executive Director since May 2007. He has extensive experience in the areas of corporate governance, banking and capital markets. He is now the Executive Vice President of Asia Financial Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

SENIOR MANAGEMENT

MRS LIN HUANG SU FENG, aged 58, She is the Vice President of the Group and is responsible for general operations in the PRC. She has over 30 years of experience in accounting and corporate finance. She is the spouse of Mr. Lin Chun Kuei, the Chairman of the Group and the mother of Mr. Lin Wei Hung, the President of Silk Road Gifts Inc., a subsidiary of the Company. She is also the sister-in-law of Mr. Lin Chun Fu and Mr. Lin Chun Ter, the Executive Director of the Company and the Head of Outsourcing Department of the Group respectively.

MR. LIN YUAN CHIA (as known as Y. C. Lin), aged 53, Group Vice President. He is responsible for the Group Product Division. He has over 21 years of experience in the giftware and home decoration manufacturing industry. He joined the Group in 1991.

MR. JAN WING FU, BARRY, aged 41, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. Mr. Jan obtained a bachelor's degree in business administration from the University of New Brunswick, Canada in 1989. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Jan has over 17 years of solid experience in auditing, accounting, general management and financial control. Mr. Jan joined the Group on 26 March 2008.

MR. LIN CHUN TER, aged 50, the Head of Outsourcing Department. He is responsible for the Group's monitoring supervisory work on procuring raw materials, work-in-progress products and finished products. He has over 27 years of experience in the giftware and home decoration manufacturing industry. He joined the Group in 1991. He is the younger brother of Mr. Lin Chun Kuei and Mr. Lin Chun Fu, the Chairman and Executive Director of the Group respectively. He is also the brother-in-law of Mrs. Lin Huang Su Feng, the Vice President of the Group.

MS. LEE FENG-YU (also known as Pola Lee), aged 45, Vice President of Product & Marketing. She is responsible for the Group's products development and sales and marketing affairs. Before joining the Group in 2002, she worked for several renowned international trading groups in the giftware & home decorative product industry. She has more than 16 years' experience in product development & marketing operation mainly for the U.S. & European markets.

MR. CHAN KAI CHEONG, RICKY, aged 39. He is in charge of the Group's Quality Control Division. He has over 10 years' experience in quality control and process management in polyresin industry. He also has 10 years' experience in quality control of giftware industry. He joined the Group in 1998.

MS. WU MIN, aged 49, Manager of the Group's China Region Administrative Centre. She joined the Group in 1992 and has engaged in management for 16 years.

MR. LEE CHIEH HSIN, SEWELL, aged 51, graduated from Department of Business Administration, National Taipei College of Business. Before joining the Group in 1999, he has worked for several renowned international trading groups in export business. He has more than 20 years' experience in export sales and export market exploitation.

MR. LIN WEI-HUNG, aged 33. He is the President of Silk Road Gifts, Inc., a subsidiary of the Group and engaged in marketing and promoting Company's products throughout the United States market. He is responsible for the daily operations of Silk Road Gifts, Inc.. Mr. Lin is experienced in marketing and product development for giftware items. He holds a Bachelor of Science Degree in Information Systems from Pace University in the United States of America. He is the son of Mr. Lin Chun Kuei and Mrs. Lin Huang Su Feng, the Chairman and the Vice President of the Group respectively. He is also the nephew of Mr. Lin Chun Fu and Mr. Lin Chur Ter, an Executive Director and the Head of Outsourcing Department of the Group respectively.

MR. DOMINIC TUDDA, aged 58, Executive Director of Sales of Silk Road Gifts, Inc., a subsidiary of the Group and engaged in marketing and promoting Company's products throughout the United States market. He has extensive working experience in handling national accounts' sales and marketing in the U.S.. He joined the company in April 2003. He graduated from Old Dominion University.

MR. FU GUO XI, aged 38, Factory Manager of Shenzhen Yuansheng Light Industrial Products Co., Ltd., a subsidiary of the Group in China. He has over 11 years' experience in corporate planning and financial management. He joined the Group in 1994.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

MR. DAVID LIAO, aged 41, Factory Manager of Lu He Yuansheng Light Industrial Products Co., Ltd., a subsidiary of the Group. He is responsible to establish the organization of the factory and general production and operation of business. He holds specialty qualification from the college and obtains the assistant accountant qualifications through the Nation-Wide technology qualifications test in 1996. He graduated in accounting major from Economical management leader college, Fujian Province China in 1994 and he joined the company finance department in the same year in July, thereafter he held positions such as accounts manager and finance manager. He has over 13 years of abundant experience in team finance, administration, shipping and business planning.

MR. WANG GUO HUAI, aged 39, Factory Manager of Shuichun sub-plant of Luhe Yuansheng Light Industrial Products Co., Ltd., a subsidiary of the Group. He graduated from Light Industrial College of Hunan Province (currently known as Changsha University of Science and Technology). He joined Fuqing Yuansheng Light Industrial Products Co., Ltd., a subsidiary of the Group in 1994. He had been the deputy supervisor of engineering technique department, supervisor of engineering technique department and deputy department head. He was promoted to deputy factory manager of Luhe Yuansheng Light Industrial Products Co., Ltd., in October 2004, responsible for the setup and organization of the manufacturing and sales of sub-plant. He has 13 years' experience in production, sales and management.

MR. QIAN JING, aged 45, Factory Manager of Hekou sub-plant of Luhe Yuansheng Light Industrial Products Co., Ltd., a subsidiary of the Group. He graduated from a college in Hubei Province major in business management. Before joining the Group in 1995, he worked as production supervisor at various manufacturing plant. He had been the production manager, control manager and manufacturing manager and production supervisor of Fuqing Yuansheng Light Industrial Products Co., Ltd.. He was promoted to Luhe Hekou factory as Deputy Factory Manager in February 2006, and further promoted to Factory Manager of Hekou sub-plant of Luhe Yuansheng Light Industrial Products Co., Ltd. in November 2006.

MR. YUNUS THIE, aged 43, General Manager of Peaktop (Vietnam) Limited, a subsidiary of the Group. He is in charge of the operation and management of Peaktop (Vietnam) Limited. He has 18 years of experience in the manufacturing and international marketing, including giftware and candles industries. He joined the group in 2004.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 107. The directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**495,047**	1,089,187	1,161,217	1,135,705	820,168
(Loss)/profit from operating activities	**(188,935)**	13,810	(18,173)	9,883	(21,225)
Share of loss of an associate	**–**	–	–	–	(1,938)
(Loss)/profit before taxation	**(188,935)**	13,810	(18,173)	9,883	(23,163)
Taxation	**(5,104)**	(102)	648	(3,146)	17,524
(Loss)/profit for the year	**(194,039)**	13,708	(17,525)	6,737	(5,639)
Attributable to:					
Equity holders of the Company	**(193,838)**	13,766	(16,724)	6,421	(6,237)
Minority interests	**(201)**	(58)	(801)	316	598
	(194,039)	13,708	(17,525)	6,737	(5,639)

SUMMARY FINANCIAL INFORMATION (Continued)

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**538,686**	640,395	933,630	890,313	716,607
Total liabilities	**(382,733)**	(384,186)	(696,075)	(642,516)	(476,201)
Minority interests	**–**	(201)	(1,261)	(2,253)	(2,124)
	155,953	256,008	236,294	245,544	238,282

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the year are set out in notes 13 and 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 34(c) to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There has been no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2007.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to Nil. In addition, the Company's share premium account, in the amount of HK$172,582,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 51.8% of the Group's total sales for the year and sales to the largest customer included therein amounted to 17.5% . Purchases from the Group's five largest suppliers accounted for 14.1% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Lin Chun Kuei *(Chairman and Chief Executive Officer)*	
Mr. Andree Halim *(Co-vice Chairman)*	
Mr. Ng Kin Nam *(Co-vice Chairman and Authorised Representative)*	
Mr. Li Chien Kuan	
Mr. Lin Chun Fu	
Mrs. Lin Huang Su Feng	(Resigned on 17 July 2007)
Mr. Cheung Kwok Ping	(Resigned on 17 July 2007)

Independent Non-executive Directors:

Mr. Goh Gen Cheung	
Mr. Ma Chiu Cheung, Andrew	
Mr. Ng Tang Fai, Ernesto	(Appointed on 30 May 2007)
The Hon. Bernard Charnwut Chan	(Resigned on 30 May 2007)

In accordance with bye-law 111(A) of the Company's bye-laws, Mr. Li Chien Kuan, Mr. Goh Gen Cheung and Mr. Ma Chiu Cheung, Andrew shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 115 of the Company's bye-laws, Mr. Ng Tang Fai, Ernesto will retire at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

The directors of the Company, including those appointed for a specific term, are subject to retirement by rotation and re- election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 10 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Lin Chun Kuei, Mr. Lin Chun Fu and Mr. Li Chien Kuan, all being Executive Directors have entered into service agreements with the Company for a term of three years commencing from 1 December 1997, which are renewable automatically for successive terms of one year each, until terminated by not less than six months' notice in writing served by either party on the other.

Mr. Ng Kin Nam, an Executive Director, has entered into a service agreement with the Company on 20 May 2003 for an initial fixed term of three years commencing from 1 August 2002 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Mr. Andree Halim, an Executive Director, has entered into a service agreement with the Company on 23 February 2004 for an initial fixed term of three years commencing from 1 March 2004 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Mr. Ng Tang Fai, Ernesto, an Independent Non-Executive Director, has entered into a service agreement with the Company on 30 May 2007 for an initial fixed term of three years commencing from 30 May 2007, until terminated by either party thereto giving to the other not less than three months's notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to directors' duties, responsibilities and performance and the results of the Group. Details of directors' remuneration is set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the service agreement entered between the Company and a service company beneficially owned by a former executive director as mentioned in note 40 to the financial statements, no director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors by Listed Company (the "Model Code") contained in the rules governing the listing of securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the Shares:

		Number of Shares held, capacity and nature of interest in the Shares				Approximate percentage of the Company's issued share
Name of Director	Notes	**Personal**	**Family**	**Corporate**	**Total**	**capital** (%)
Mr. Lin Chun Kuei		135,059,200	–	–	135,059,200	13.52
Mr. Lin Chun Fu		33,690,800	–	–	33,690,800	3.37
Mr. Andree Halim	1	42,086,000	–	127,822,000	169,908,000	17.00
Mr. Ng Kin Nam	2	59,327,200	6,107,000	88,359,800	153,794,000	15.39

Notes:

1. Tian Wan Pte. Ltd. is the beneficial owner of 127,822,000 Shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim and Mr. Daniel Halim, the son of Mr. Andree Halim. Accordingly, Mr. Andree Halim is deemed to be interested in the 127,822,000 Shares beneficially owned by Tian Wan Pte. Ltd.

2. Jade Investment Limited is the beneficial owner of 88,359,800 Shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. Ng Kin Nam and Ms. Jocelyn O. Angeleslao, the spouse of Mr. Ng. Kin Nam. Accordingly, Mr. Ng Kin Nam is deemed to be interested in the 88,359,800 Shares beneficially owned by Jade Investment Limited. Mr. Ng is also deemed to be interested in the 6,107,000 Shares beneficially owned by Ms. Jocelyn O. Angeleslao.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY (Continued)

In addition to the above, certain directors hold shares in certain subsidiaries of the Company, in a non-beneficial capacity, solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 31 December 2007, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); and (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 33 to the financial statements.

No share options were granted or exercised during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2007, the following person (not being Directors and chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company in 5% 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:

(i) Long positions in the Shares:

Name	Notes	**Capacity and nature of interest**	**Number of shares held**	**Approximate percentage of the Company's issued share capital** (%)
Ms. Jocelyn O. Angeleslao	1	Through a controlled corporation	88,359,800	8.85
	1	Directly beneficially owned	6,107,000	0.61
	1	Through the spouse	59,327,200	5.93
			153,794,000	15.39
Jade Investment Limited	1	Directly beneficially owned	88,359,800	8.85
Tian Wan Pte. Ltd.	2	Directly beneficially owned	127,822,000	12.79
Mr. Daniel Halim	2	Through a controlled corporation	127,822,000	12.79
Mrs. Lin Huang Su Feng	4	Through the spouse	135,059,200	13.52

Notes:

1. Ms. Jocelyn O. Angeleslao is the spouse of Mr. Ng Kin Nam, an Executive Director, and the beneficial owner of 50% of the existing issued share capital of Jade Investment Limited. Accordingly, she is deemed to be interested in the 59,327,200 Shares beneficially owned by Mr. Ng Kin Nam and the 88,359,800 Shares beneficially owned by Jade Investment Limited. She is also the beneficial owner of 6,107,000 Shares.

2. Tian Wan Pte. Ltd. is the beneficial owner of 127,822,000 Shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim (the Director of the Company) and Mr. Daniel Halim, the son of Mr. Andree Halim.

3. Mrs. Lin Huang Su Feng is the spouse of Mr. Lin Chun Kuei (one of the Directors of the Company). Accordingly, she is deemed to be interested in 135,059,200 Shares which are beneficially owned by Mr. Lin.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE COMPANY (Continued)

(ii) Long positions in ordinary shares of subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding (%)
Peaktop Technologies (USA) Hong Kong Limited	Geoglobal Partners LLC	49
Waterwerks Pty. Ltd.	Infiniti Marketing Group Pty. Ltd.	10

Save as disclosed above, as at 31 December 2007, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 5% 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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 40 to the financial statements also constituted connected transactions under the Listing Rules, are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

The Independent Non-executive Directors of the Company have reviewed the above transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that at the time of the transactions:

(a) the transactions have been entered into by the relevant member of the Group in the ordinary and usual course of its business;

(b) the transactions have been entered into on an arm's length basis and on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or terms not less favourable to the Group than terms available to or from (as the case may be) independent third parties; and

(c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

POST BALANCE SHEET EVENTS

Saved for those stated in notes 43 to the financial statements, there was no other significant post balance sheet events of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules required at least 25% of the issued share capital of the Company must be held in public hands. Based on information available and within the knowledge of the directors as at the date of this report prior to the issue of the annual report, the obligation has been complied with.

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. The Company applied the principles and complied with all requirements set out in the Code on Corporate Governance Practice ("CG Code") contained in Appendix 14 of the Listing Rules, except for the deviations from provisions A.2.1 and A.4.1 of the CG Code.

Further information on the Company's corporate governance practices is set out in the Report of the Corporate Governance of the annual report.

AUDITORS

The financial statements of the Company for the year ended 31 December 2007 were audited by CCIF CPA Limited. A resolution to re-appoint the retiring auditors, CCIF CPA Limited, will be proposed at the forthcoming annual general meeting of the Company.

Ernst & Young tendered their resignation as auditors of the company with effect from 13 December 2006 and CCIF CPA Limited were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Ernst & Young on 13 December 2006.

The financial statements of the Company for the year ended 31 December 2005 were audited by Ernst & Young and there have been no other changes of auditors of the Company in the past three years.

On behalf of the Board of Directors
LIN Chun Kuei
Chairman

Hong Kong, 9 May 2008

REPORT OF THE CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is essential to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintain and ensure high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2007, except for the deviations from provisions A.2.1 and A.4.1 of the CG Code in respect of segregation of the roles of Chairman and Chief Executive Officer, and appointment of Independent Non-executive Directors for specific terms. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

As on the date of this report, the Board comprised eight Directors. There are five Executive Directors including one Chairman and Chief Executive Officer, and two Co-vice Chairmen; and three Independent Non-executive Directors. In addition, one of the Independent Non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. Detailed biographies outlining each individual Director's range of specialist experience can be found on pages 10 to 12.

The Board meets regularly throughout the year, the principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations, and delegates responsibility for individual Director and management for overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Chairman and Chief Executive Officer of the Company is Mr. Lin Chun Kuei. This deviates from provision A.2.1 of the CG Code which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Lin Chun Kuei is one of the founder of the Group and is primarily responsible for leadership of the Board, ensuring the effectiveness on all aspects of its role and setting its agenda, whereas clearly established executive responsibilities for running of the business operations of the Group lie with different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a professional and independent non-executive element on the Board and a clear division of responsibility for the running of the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

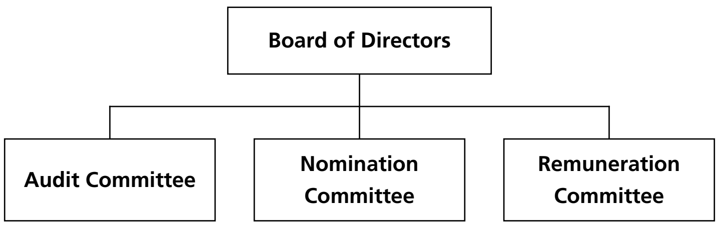
The Independent Non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management. They also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received annual written confirmation from each Independent Non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that such Directors are independent.

BOARD OF DIRECTORS (Continued)

Two of three Independent Non-executive Directors of the Company are not appointed for a specific term. This deviates from provision A.4.1 of the CG Code which provides that Non-executive Directors should be appointed for a specific term, subject to re-election. Currently, two of three Independent Non-executive Directors are not appointed for a specific term but all three Independent Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability arising from their performance of their duties.

The Board has established audit, remuneration and nomination committees in accordance with the CG Code and all or a majority of the members of the committees are Independent Non-executive Directors.



The Board has established three committees with clearly-defined written terms of reference. The main roles and responsibilities of these committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are dispatched to all members already. The different committees' independent views and recommendations not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The Chairman of each committee reports the outcome of the committee's meetings to the Board for further discussion and approval.

Minutes of Board meetings and meetings of committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

BOARD OF DIRECTORS (Continued)

Member Attendance of Board and committee meetings for the year 2007

		Number of meetings attended/eligible to attend during the year		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. LIN Chun Kuei	5/5	3/3	1/1	2/2
Mr. Andree HALIM	0/5	N.A.	N.A.	N.A.
Mr. NG Kin Nam	0/5	N.A.	N.A.	N.A.
Mr. LI Chien Kuan	5/5	3/3	1/1	2/2
Mr. LIN Chun Fu	2/5	N.A.	N.A.	N.A.
Mrs. LIN HUANG Su Feng ****	0/2	N.A.	N.A.	N.A.
Mr. Daniel HALIM **	0/1	N.A.	N.A.	N.A.
Mr. CHEUNG Kwok Ping ****	0/2	N.A.	N.A.	N.A.
Independent Non-executive Directors				
Mr. GOH Gen Cheung	5/5	3/3	1/1	2/2
Mr. MA Chiu Cheung, Andrew	4/5	3/3	1/1	2/2
Mr. NG Tang Fai, Ernesto ***	2/3	2/2	N.A.	1/1
The Hon. Bernard Charnwut CHAN *	2/2	1/1	N.A.	1/1

* *Resigned on 16 March 2007 but effective on 30 May 2007*
** *Resigned on 30 March 2007*
*** *Appointed on 30 May 2007*
**** *Resigned on 17 July 2007*

Note: Mr. Lin Chun Kuei, the Chairman and Chief Executive Officer, is the spouse of Mrs. Lin Huang Su Feng, a former Executive Director and currently the Vice President of the Group. He is the brother of Mr. Lin Chun Fu, an Executive Director. He is also the father of Mr. Lin Wei Hung, a former Executive Director.

AUDIT COMMITTEE

The audit committee was established in 1999 and consists of all Independent Non-executive Directors. Members of the audit committee are Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung and Mr. Ng Tang Fai, Ernesto. The audit committee is chaired by Mr. Ma Chiu Cheung, Andrew who is the founder and a former director of Andrew Ma DFK (CPA) Limited and has over 30 years of experience in accounting and finance. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters.

The audit committee's functions are:

– to decide on the appointment, terms of engagement of the external auditors;

– to review and monitor financial reporting and the reporting judgment contained in them; and

– to review financial and internal controls, accounting policies and practices with management, and external auditors.

AUDIT COMMITTEE (Continued)

Every year, the Chairman of the audit committee meets with the Group's external auditors to discuss the annual audit plan. The meetings of the audit committee are attended by members of the committee, and where necessary, the external auditors. External auditors made presentations to the audit committee on the implications of the introduction of new accounting standards in Hong Kong. The audit committee subsequently reported its recommendations to the Board for further review and approval. The audit committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process. All external audit partners are subject to periodic rotations, and where necessary, and the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the audit committee.

During the year under review, the audit committee met three times and reviewed the audited financial statements for the year ended 31 December 2006 and the unaudited financial statements for the six months ended 30 June 2007 with recommendations to the Board for approval and discussed with the management and external auditors the accounting policies and practices which may affect the Group and financial reporting matters.

The fees paid/payable in respect of services provided by the Group's external auditors during the year ended 31 December 2007 were as follows:

	2007 **HK$'000**	2006 HK$'000
Audit services	**1,875**	1,576
Non-audit services	**142**	232

The audit committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, independence and objectivity.

The Group's annual report for the year ended 31 December 2007 has been reviewed by the audit committee.

REMUNERATION COMMITTEE

The remuneration committee was established in 2005, which is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

The majority of the remuneration committee members are Independent Non-executive Directors. Members of the remuneration committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. Lin Chun Kuei and Mr. Li Chien Kuan.

The remuneration committee met once during the year to review the remuneration policy for the Directors and the senior management of the Group and to approve the basic salary of all individual Directors and senior management of the Group. Details of each Director's salary are set out in note 8 to the financial statements.

NOMINATION COMMITTEE

The nomination committee was established in 2005, which is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the board on a regular basis, ensuring the competitive position of the organization, evaluating the leadership abilities of Executive and Non-executive Directors and ensuring fair and transparent procedures for the appointment of directors to the Board.

The majority of the nomination committee members are Independent Non-executive Directors. Members of the nomination committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. Lin Chun Kuei and Mr. Li Chien Kuan.

The committee met twice during the year to review the structure, size and composition of the Board.

INTERNAL CONTROL

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their effectiveness. The role of the Group's management is to implement all Board policies on risk and control.

The Group's internal control systems are designed to provide reasonable protection of the Group's assets, and to safeguard these assets against unauthorized use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for operation and for reporting purposes. The Group has adopted proper procedures with duly assigned levels of authority in areas of financial, operational and compliance controls and risk management to ensure that its assets and resources remain secure at all times.

The Board has reviewed the effectiveness of the Group's internal control system covering financial operational and compliance controls and risk management functions during the year ended 31 December 2007.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time on the financial position of the Group.

INVESTORS RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and investors at large. The Company is committed to continue to maintain an open and effective investors communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the Executive Directors and designated senior executives according to established practices and procedures of the Company.

On 12 July 2007 and 29 November 2007, two profit warning statements were announced to the shareholders of the Company and investors that the Group was expected a substantial loss for the six months ended 30 June 2007 and for the year ended 31 December 2007 respectively due to (1): the Group was in the process of restructuring, (2): the loss of a major customer in 2007 and (3): the losses recorded on overseas subsidiaries due to decrease of orders received from overseas markets.

INDEPENDENT AUDITOR'S REPORT

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PEAKTOP INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Peaktop International Holdings Limited (the "Company") set out on pages 31 to 107, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity 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 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 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the 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 financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and 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.

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicate that the Group incurred a consolidated loss attributable to equity shareholder of the Company of approximately HK$193,838,000 for the year ended 31 December 2007, the Group's current liabilities exceeded its current assets by approximately HK$99,720,000 as at 31 December 2007 and it did not comply with certain financial covenants of certain bank facilities. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the success of the measures to improve the Group's profitability and cash flows, to obtain financing from other resources, to secure the necessary facilities from its existing bankers, and to remedy its breaches in certain bank loan covenants. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

CCIF CPA LIMITED
Certified Public Accountants
Hong Kong, 9 May 2008

Betty P.C. Tse
Practising Certificate Number P03024

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	**2007 HK$'000**	2006 HK$'000
Turnover	4 & 12	**495,047**	1,089,187
Cost of sales		**(447,677)**	(666,368)
Gross profit		**47,370**	422,819
Valuation gain on investment property	14	**2,670**	–
Other revenue	5	**12,705**	13,890
Other net (loss)/income	5	**(393)**	20,411
Distribution costs		**(89,184)**	(267,206)
Administrative expenses		**(130,011)**	(128,934)
Other operating expenses		**(11,944)**	(2,924)
Loss on disposal of subsidiaries, net	35	**–**	(14,958)
(Loss)/profit from operations		**(168,787)**	43,098
Finance costs	6(a)	**(20,148)**	(29,288)
(Loss)/profit before taxation	6	**(188,935)**	13,810
Income tax	7	**(5,104)**	(102)
(Loss)/profit for the year		**(194,039)**	13,708
Attributable to:			
Equity shareholders of the Company	10 & 34(a)	**(193,838)**	13,766
Minority interests	34(a)	**(201)**	(58)
(Loss)/profit for the year	34(a)	**(194,039)**	13,708
(Loss)/earnings per share	11		
Basic		**HK(21.8) cents**	HK1.6 cents
Diluted		**N/A**	N/A

The notes on pages 38 to 107 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007

(Expressed in Hong Kong dollars)

	Note	2007 HK$'000	2007 HK$'000	2006 HK$'000	2006 HK$'000
Non-current assets					
Property, plant and equipment	13		**164,248**		188,881
Investment property	14		**12,640**		9,970
Prepaid lease payments	15		**61,388**		66,652
Intangible assets	16		**927**		5,796
Goodwill	17		**–**		3,459
Interest in an associate	19		**–**		(46)
Other non-current financial assets	20		**31,891**		33,167
Deferred tax assets	31(b)		**–**		1,484
			271,094		309,363
Current assets					
Trading securities	21	**942**		936	
Inventories	22	**77,353**		152,852	
Trade and other receivables	23	**124,111**		148,451	
Cash and cash equivalents	24	**42,253**		28,793	
		244,659		331,032	
Non-current assets held for sale	25	**22,933**		–	
Total current assets		**267,592**		331,032	
Current liabilities					
Trade and other payables	26	**142,893**		131,862	
Derivative financial instruments	27	**2,113**		–	
Bank loans and overdrafts	28	**209,757**		244,276	
Other loan, unsecured	29	**9,852**		–	
Obligations under finance leases	30	**320**		1,345	
Current taxation	31(a)	**2,377**		1,351	
		367,312		378,834	
Net current liabilities			**(99,720)**		(47,802)
Total assets less current liabilities			**171,374**		261,561

CONSOLIDATED BALANCE SHEET

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	**2007** HK$'000	**2007** HK$'000	2006 HK$'000	2006 HK$'000
Non-current liabilities					
Bank loans	28	**14,788**		4,677	
Obligations under finance leases	30	**–**		675	
Deferred tax liabilities	31(b)	**633**		–	
			15,421		5,352
NET ASSETS			**155,953**		256,209
CAPITAL AND RESERVES	34(a)				
Share capital			**99,920**		85,720
Reserves			**56,033**		170,288
Total equity attributable to equity shareholders of the Company			**155,953**		256,008
Minority interests			**–**		201
TOTAL EQUITY			**155,953**		256,209

Approved and authorised for issue by the board of directors on 9 May 2008.

Lin Chun Kuei
Director

Li Chien Kuan
Director

The notes on pages 38 to 107 form part of these financial statements.

BALANCE SHEET

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$'000	2007 HK$'000	2006 HK$'000	2006 HK$'000
Non-current assets					
Investments in subsidiaries	18		**147,764**		230,893
Current assets					
Trading securities	21	**942**		936	
Trade and other receivables	23	**35**		27	
Cash and cash equivalents	24	**9,548**		3,135	
		10,525		4,098	
Current liabilities					
Trade and other payables	26	**9,266**		58	
Net current assets			**1,259**		4,040
NET ASSETS			**149,023**		234,933
CAPITAL AND RESERVES	34(b)				
Share capital			**99,920**		85,720
Reserves			**49,103**		149,213
TOTAL EQUITY			**149,023**		234,933

Approved and authorised for issue by the board of directors on 9 May 2008.

Lin Chun Kuei
Director

Li Chien Kuan
Director

The notes on pages 38 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2007
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	**Share capital** HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Exchange reserve** HK$'000	**Asset revaluation reserve** HK$'000	**Statutory reserve** HK$'000	**(Accumulated losses)/ retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1 January 2006		85,720	99,260	18,528	722	3,986	22,779	5,299	236,294	1,261	237,555
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	6,802	–	–	–	6,802	97	6,899
Transfer to statutory reserve		–	–	–	–	–	1,007	(1,007)	–	–	–
Disposal of subsidiaries		–	–	–	2,261	(3,115)	–	–	(854)	(1,099)	(1,953)
Profit for the year		–	–	–	–	–	–	13,766	13,766	(58)	13,708
At 31 December 2006 and 1 January 2007		85,720	99,260	18,528	9,785	871	23,786	18,058	256,008	201	256,209
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	6,261	–	–	–	6,261	–	6,261
Shares issued under the placing	34(c)(iii)	14,200	73,322	–	–	–	–	–	87,522	–	87,522
Loss for the year		–	–	–	–	–	–	(193,838)	(193,838)	(201)	(194,039)
At 31 December 2007		99,920	172,582	18,528	16,046	871	23,786	(175,780)	155,953	–	155,953

The notes on pages 38 to 107 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
(Loss)/profit before taxation		**(188,935)**	13,810
Adjustments for:			
Valuation gain on investment property	14	**(2,670)**	–
Depreciation	6(c)	**32,354**	37,148
Amortisation of prepaid lease payments	6(c)	**1,626**	1,594
Amortisation of intangible assets	6(c)	**5,033**	12,176
Write-off of intangible assets		**–**	3
Impairment loss on goodwill	6(c)	**3,459**	–
Impairment loss for bad and doubtful debts	6(c)	**6,222**	2,924
Write-off of trade and other receivables	6(c)	**2,032**	–
Reversal of impairment loss on amount due from an associate	6(c)	**(46)**	–
Finance costs	6(a)	**20,148**	29,288
Interest income	5	**(945)**	(1,562)
Gain on disposal of available-for-sale financial assets	5	**(6,243)**	–
Unrealised gain on trading securities	5	**(6)**	–
Net loss on forward foreign exchange contracts	6(c)	**2,113**	–
Loss on sale of property, plant and equipment	5	**7,253**	516
Gain on disposal of non-current financial assets	5	**–**	(20,927)
Loss on disposal of subsidiaries, net	35	**–**	14,958
Fair value gain of financial asset at fair value through profit or loss	5	**(611)**	–
Foreign exchange loss		**2,031**	–
Operating (loss)/profit before changes in working capital		**(117,185)**	89,928
Decrease in inventories		**83,850**	17,469
Decrease in trade and other receivables		**18,769**	28,323
Decrease in trade and other payables		**(12,970)**	(52,008)
Cash (used in)/generated from operations		**(27,536)**	83,712
Tax paid			
Hong Kong profits tax paid		**–**	(254)
Overseas tax paid		**(1,855)**	(1,065)
Net cash (used in)/generated from operating activities		**(29,391)**	82,393

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$'000	2006 HK$'000
Investing activities			
Payment for the purchases of property, plant and equipment		**(23,769)**	(15,654)
Proceeds from sale of property, plant and equipment		**3,537**	2,187
Expenditure on development project		**(166)**	(15,723)
Increase in pledged deposits		**(44)**	(53)
Proceeds from disposal of subsidiaries		**–**	(1,669)
Payment for the purchase of trading securities		**–**	(936)
Proceeds from disposal of available-for-sale financial assets		**10,530**	–
Proceeds from disposal of non-current assets held for sale		**–**	42,438
Advance to an associate		**–**	(3)
Interest received		**945**	1,562
Net cash (used in)/generated from investing activities		**(8,967)**	12,149
Financing activities			
Net proceeds from shares issued under the placing		**87,522**	–
Capital element of finance lease rentals paid		**(1,700)**	(1,628)
Proceeds from new bank loans		**155,319**	29,981
Repayment of bank loans		**(185,983)**	(102,621)
Proceeds from other loan		**9,852**	–
Advance from a director		**17,902**	–
Repayment to a director		**(15,902)**	(2,340)
Advance from an ex-director		**10,730**	–
Repayment to an ex-director		**(8,664)**	–
Advance from a substantial shareholder		**15,000**	–
Repayment to a substantial shareholder		**(12,000)**	–
Interest element of finance lease rentals paid		**(111)**	(331)
Other borrowing costs paid		**(20,037)**	(28,957)
Net cash generated from/(used in) financing activities		**51,928**	(105,896)
Net increase/(decrease) in cash and cash equivalents		**13,570**	(11,354)
Cash and cash equivalents at 1 January	24	**21,280**	32,367
Effect of foreign exchange rate changes		**582**	267
Cash and cash equivalents at 31 December	24	**35,432**	21,280

The notes on pages 38 to 107 form part of these financial statements.

1. GENERAL INFORMATION

Peaktop International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of design, manufacture and sale of home, garden and plastic decorative products.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting polices set out below.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(y)).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 42.

In preparing the financial statements, the directors have considered the future liquidity of the Group notwithstanding:

– the consolidated loss attributable to equity shareholders of the Company of approximately HK$193,838,000 for the year ended 31 December 2007;

– the consolidated net current liabilities of approximately HK$99,720,000 as at 31 December 2007;

– the outstanding bank loans and overdrafts of approximately HK$224,545,000 (note 28) and other loan of approximately HK$9,852,000 (note 29), out of which an aggregate of approximately HK$219,609,000 was due for repayment within the next twelve months after 31 December 2007; and

– the breach of covenants relating to certain of the Group's bank facilities as disclosed in note 28(b).

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group:

(i) The Group will negotiate with its bankers to secure the necessary facilities in order to meet the Group's working capital and financial requirements in the near future.

Subsequent to 31 December 2007, the Group obtained new bank loans of approximately HK$17,032,000, which was repayable in April 2009.

In addition, at 31 December 2007, the Group has breached the covenants of certain utilised banking facilities in relation to the amount of HK$27,901,000 as disclosed in note 28(b). Subsequent to 31 December 2007, certain banks granted waivers to the Group from compliance with these covenants in relation to the amount of approximately HK$16,666,000.

(ii) The Group is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group. Subsequent to 31 December 2007, certain directors and a substantial shareholder advanced to the Group an aggregate of approximately HK$44,958,000.

(iii) Subsequent to 31 December 2007, the Group disposed of its interests in certain subsidiaries for an aggregate consideration of approximately HK$237,322,000 (note 43), of which the directors expect approximately HK$96,275,000 to be receivable in 2008 and approximately HK$141,047,000 to be receivable after 2008, to finance the operations of the Group.

(iv) The Group would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flow in 2008.

In the opinion of the directors, in light of the various measures/arrangements implemented to date together with the expected results of other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and minority interests

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

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

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

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

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

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see note 2(e) and (m)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(m)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in income statement.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in income statement as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in income statement. The net gain or loss recognised in income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(v)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(m)).

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in income statement. Dividend income from these investments is recognised in income statement in accordance with the policy set out in note 2(v)(iii) and, where, these investments are interest-bearing, interest calculated using the effective interest method is recognised in income statement in accordance with the policy set out in note 2(v)(iv). When these investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss previously recognised directly in equity is recognised in income statement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets at fair value through profit or loss

Financial assets is recognised on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in income statement.

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in income statement in the period in which they arise. The net gain or loss recognised in income statement included interest income from these financial assets.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to income statement.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

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

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

(j) Property, plant and equipment

The building component of leasehold properties held for own use is stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Construction in progress represents buildings under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(m)). Cost comprises direct costs of construction as well as interest charges during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment (Continued)

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

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

– when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

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

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

– Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 10 years after the date of completion.

–	Plant and machinery	10 years
–	Furniture, fixtures, equipment	5 years
–	Moulds	2 years

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

(k) Intangible assets (other than goodwill)

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

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Intangible assets (other than goodwill) (Continued)

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

– capitalised development costs	2 to 5 years
– patents	5 years
– deferred expenses	amortised over the term of their underlying contracts

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries and associates: (see note 2(m)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

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

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

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

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in income statement.

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– prepaid lease payments classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

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

– Calculation of recoverable amount

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(n) Inventories

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

Cost is calculated on the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other receivables

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

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

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

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

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

  - the same taxable entity; or

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) *Dividends*

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

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

(iv) *Interest income*

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

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

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

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

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

(x) Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Borrowing costs (Continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in income statement. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

(z) Related parties

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Segment reporting

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures, and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 36.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 34(f).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 44).

4. TURNOVER

The principal activities of the Group are the design, manufacture and sales of home, garden and plastic decorative products. Turnover represents the sales value of goods supplied to customers.

5. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2007 HK$'000	2006 HK$'000
Other revenue		
Interest income on financial assets not at fair value through profit or loss		
– interest income from bank deposits	**945**	1,562
Gross rentals from investment properties	**482**	939
Dividend income from unlisted securities	**22**	–
Commission income	**1,739**	9,087
Compensation from legal claim (note 39)	**7,771**	–
Others	**1,746**	2,302
	12,705	13,890
Other net income		
Fair value gain on financial asset at fair value through profit or loss (notes 5(a) and 20(b))	**611**	–
Gain on disposal of available-for-sale financial assets	**6,243**	–
Unrealised gain on trading securities	**6**	–
Gain on disposal of non-current assets held for sale (note 5(b))	**–**	20,927
Net loss on sale of property, plant and equipment	**(7,253)**	(516)
	(393)	20,411

(a) Included in fair value gain on financial asset at fair value through profit or loss is interest income of approximately HK$1,754,000 on financial asset at fair value through profit or loss.

(b) In 2005, the Group entered into agreements with an independent third party in relation to the disposal of a property located in Hong Kong and accordingly the Group classified certain building and prepaid lease payments as non-current assets held for sale. The transaction was completed in 2006 and resulted in a gain of approximately HK$20,927,000.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2007 HK$'000	2006 HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	**20,037**	28,957
Finance charges on obligations under finance leases	**111**	331
Total interest expense on financial liabilities not at fair value through profit or loss	**20,148**	29,288

6. (LOSS)/PROFIT BEFORE TAXATION (Continued)

(b) Staff costs (including directors' remuneration)#

	2007 HK$'000	2006 HK$'000
Salaries, wages and other benefits	**124,643**	154,068
Contributions to defined retirement plans	**1,819**	2,314
	126,462	156,382

(c) Other items

	2007 HK$'000	2006 HK$'000
Amortisation#		
– prepaid lease payments	**1,626**	1,594
– intangible assets	**5,033**	12,176
Depreciation#	**32,354**	31,307
Impairment losses *		
– trade and other receivables	**6,222**	2,924
– goodwill	**3,459**	–
Write-off of trade and other receivables-others*	**2,032**	–
Reversal of impairment loss on amount due from an associate	**(46)**	–
Research and development costs (including amortisation of capitalised development costs of HK$4,802,000 (2006: HK$12,176,000))	**20,006**	18,243
Net foreign exchange (gain)/loss	**(121)**	541
Net loss on forward foreign exchange contracts	**2,113**	–
Auditors' remuneration	**1,875**	1,808
Operating leases charges in respect of property rentals: minimum lease payments#	**12,904**	9,568
Rentals receivable from investment property less direct outgoings of HK$61,000 (2006: HK$151,000)	**421**	788
Cost of inventories# (note 22(b))	**454,522**	666,509

Cost of inventories includes approximately HK$93,564,000 (2006: HK$102,751,000) relating to staff costs, depreciation, amortisation and operating lease charges in respect of property rentals, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

* These expenses are included in "other operating expenses" as disclosed in the consolidated income statement.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007 HK$'000	2006 HK$'000
Current tax – Overseas		
Provision for the year	**2,867**	638
(Over)/under-provision in respect of prior years	**(50)**	1,981
	2,817	2,619
Deferred tax		
Original and reversal of temporary differences	**2,287**	(2,517)
	5,104	102

For the year ended 31 December 2007, no Hong Kong profits tax has been provided for in the financial statement as the Group has no estimated assessable profits during the year. For the year ended 31 December 2006, no Hong Kong profits tax has been provided for in the financial statements as the Group has accumulated tax losses brought forward which exceed the estimated assessable profits for that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 33% of the assessable profit of the companies comprising the Group, except for certain subsidiaries, which are exempted or taxed at preferential rates ranging from 12% to 21%.

During the year, certain subsidiaries in the PRC were entitled to preferential tax treatments. They were fully exempted from PRC enterprise income tax for a tax concession period of one year or were entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilized its five-year tax holiday will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

The income tax rate that is applicable to the subsidiaries of the Group in the PRC would be changed from 33% (or 12% to 21% if subsidiaries taxed at preferential rates) to 25% effective from 1 January 2008. The enactment of the new tax law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable or deferred tax.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group as at 31 December 2007.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2007 HK$'000	2006 HK$'000
(Loss)/profit before taxation	**(188,935)**	13,810
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (losses)/ profits in the countries concerned	**(53,397)**	4,534
Tax effect of tax concessions	**18,423**	(6,505)
Tax effect of non-deductible expenses	**45,480**	5,930
Tax effect of non-taxable income	**(16,020)**	(2,220)
Tax effect of unused tax losses not recognised	**10,665**	3,546
Tax effect of utilisation of tax losses not recognised in prior years	**–**	(7,167)
(Over)/under-provisions in prior years	**(50)**	1,981
Others	**3**	3
Actual tax expense	**5,104**	102

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2007 Total HK$'000
Executive directors:				
Lin Chun Kuei (Chairman)	–	2,114	12	2,126
Andree Halim	–	203	–	203
Ng Kin Nam	–	203	10	213
Li Chien Kuan	–	1,216	5	1,221
Lin Chun Fu	–	1,064	5	1,069
Lin Huang Su Feng (note (i))	–	589	9	598
Daniel Halim (note (ii))	–	31	2	33
Cheung Kwok Ping (note (i))	–	59	3	62
Independent non-executive directors:				
Ng Tang Fai, Ernesto (note (iii))	105	–	–	105
Bernard Charnwut Chan (note (iv))	75	–	–	75
Goh Gen Cheung	180	–	–	180
Ma Chiu Cheung, Andrew	180	–	–	180
	540	5,479	46	6,065

8. DIRECTORS' REMUNERATION (Continued)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2006 Total HK$'000
Executive directors:				
Lin Chun Kuei (Chairman)	–	2,012	11	2,023
Andree Halim	–	234	–	234
Ng Kin Nam	–	234	10	244
Li Chien Kuan	–	1,170	7	1,177
Lin Chun Fu	–	1,101	2	1,103
Guo Yah Taur (note (vi))	–	94	–	94
Lin Huang Su Feng (note (i))	–	1,011	17	1,028
Lin Wei-Hung (note (vi))	–	476	–	476
Daniel Halim (note (ii))	–	140	7	147
Cheung Kwok Ping (note (i))	–	140	7	147
Graeme Stanley Pope (note (v))	–	480	–	480
Non-executive director:				
Tan Kong King (note (vi))	94	–	–	94
Independent non-executive directors:				
Bernard Charnwut Chan (note (iv))	180	–	–	180
Goh Gen Cheung	180	–	–	180
Ma Chiu Cheung, Andrew	180	–	–	180
	634	7,092	61	7,787

Notes:

(i) Resigned on 17 July 2007

(ii) Resigned on 30 March 2007

(iii) Appointed on 30 May 2007

(iv) Resigned on 30 May 2007

(v) Resigned on 9 March 2006

(vi) Resigned on 30 June 2006

During the year, no emoluments (2006: Nil) were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the years ended 31 December 2007 and 2006.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest paid emoluments, three (2006: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2006: two) individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other emoluments	**2,414**	2,268
Retirement scheme contributions	**16**	12
	2,430	2,280

The emoluments of the two (2006: two) individuals with the highest emoluments are within the following band:

	2007	2006
	Number of individuals	Number of individuals
HK$1,000,000 – HK$1,500,000	**2**	2

During the year, no emoluments (2006: Nil) were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office.

10. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$173,432,000 (2006: a loss of HK$2,566,000) which has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to ordinary equity shareholders of the Company of HK$193,838,000 (2006: a profit of HK$13,766,000) and the weighted average number of 889,928,000 ordinary shares (2006: 857,196,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	'000	'000
Issued ordinary shares at 1 January	**857,196**	857,196
Effect of shares issued under the placing (note 34(c)(iii))	**32,732**	–
Weighted average number of ordinary shares at 31 December	**889,928**	857,196

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is not presented as there were no dilutive securities outstanding during the years presented.

12. SEGMENT INFORMATION

Segment information is presented in respect of the Group's geographical and business segments. Geographical segment based on the location of customers is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Geographical segments

	United States of America		Europe		Asia Pacific		Others		Inter-segment elimination		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Revenue from external customers	**362,215**	675,033	**52,419**	267,664	**80,410**	146,187	**3**	303	**–**	–	**495,047**	1,089,187
Inter-segment revenue	**82,675**	244,720	**694**	4,510	**52,851**	1,221	**–**	–	**(136,220)**	(250,451)	**–**	–
Total	**444,890**	919,753	**53,113**	272,174	**133,261**	147,408	**3**	303	**(136,220)**	(250,451)	**495,047**	1,089,187
Segment result	**(62,278)**	58,160	**(34,899)**	10,503	**(49,975)**	12,174	**–**	270			**(147,152)**	81,107
Interest income											**945**	1,562
Unallocated operating income and expenses											**(22,580)**	(39,571)
(Loss)/profit from operations											**(168,787)**	43,098
Finance costs											**(20,148)**	(29,288)
(Loss)/profit before taxation											**(188,935)**	13,810
Taxation											**(5,104)**	(102)
(Loss)/profit for the year											**(194,039)**	13,708
Depreciation and amortisation for the year	**26,341**	38,542	**1,178**	1,135	**11,494**	5,400	**–**	–			**39,013**	45,077
Impairment of												
– goodwill	**–**	–	**–**	–	**3,459**	–	**–**	–			**3,459**	–
– trade and other receivables	**–**	–	**1,269**	1,749	**4,953**	1,175	**–**	–			**6,222**	2,924
Written-off of trade and other receivables	**–**	–	**–**	–	**–**	–	**2,032**	–			**2,032**	–
Segment assets	**170,601**	188,570	**40,063**	89,040	**216,973**	308,088	**1**	113	**(10,249)**	(32,447)	**417,389**	553,364
Unallocated assets											**121,297**	87,031
Total assets											**538,686**	640,395
Segment liabilities	**17,728**	25,110	**3,443**	5,547	**137,339**	125,536	**–**	–	**(10.510)**	(20,955)	**148,000**	135,238
Unallocated liabilities											**234,733**	248,948
Total liabilities											**382,733**	384,186
Capital expenditure incurred during the year	**2,159**	2,690	**–**	263	**21,610**	28,424	**166**	–			**23,935**	31,377

12. SEGMENT INFORMATION (Continued)

(a) Geographical segments (Continued)

Additional information concerning geographical segments:

	United States of America		Europe		Asia Pacific		Unallocated		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment assets by the location of the assets	**58,871**	84,150	**571**	19,828	**468,745**	528,550	**10,499**	7,867	**538,686**	640,395
Capital expenditure incurred during the year to acquire segment assets by location of the assets	**2,159**	2,539	**–**	263	**21,610**	12,852	**166**	15,723	**23,935**	31,377

(b) Business segments

	Outdoor decoration		Indoor decoration		Plastic injection		Others		Unallocated		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Revenue from external customers	**207,439**	679,007	**246,638**	315,511	**21,429**	64,070	**19,541**	30,599	**–**	–	**495,047**	1,089,187
Carrying amount of segment assets	**244,824**	381,245	**210,665**	152,228	**17,416**	30,770	**11,431**	25,524	**54,350**	50,628	**538,686**	640,395
Capital expenditure incurred during the year	**10,029**	19,561	**11,925**	9,089	**1,036**	1,846	**945**	881	**–**	–	**23,935**	31,377

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Moulds HK$'000	Sub-total HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At 1 January 2006	132,678	55,474	75,093	55,463	21,259	339,967	969	340,936
Exchange adjustments	4,419	1,659	1,978	2,021	846	10,923	33	10,956
Additions	–	2,057	2,556	4,078	5,933	14,624	1,030	15,654
Disposals	–	(1,705)	(3,020)	(4,638)	–	(9,363)	–	(9,363)
Disposals of subsidiaries	–	(29)	–	(628)	–	(657)	–	(657)
Transfer from construction in progress	–	975	–	–	–	975	(975)	–
Transfer from investment property (note 14)	4,626	–	–	–	–	4,626	–	4,626
At 31 December 2006	141,723	58,431	76,607	56,296	28,038	361,095	1,057	362,152
Representing:								
Cost	–	58,431	76,607	56,296	28,038	219,372	1,057	220,429
Valuation – 2006	141,723	–	–	–	–	141,723	–	141,723
	141,723	58,431	76,607	56,296	28,038	361,095	1,057	362,152
At 1 January 2007	**141,723**	**58,431**	**76,607**	**56,296**	**28,038**	**361,095**	**1,057**	**362,152**
Exchange adjustments	**9,053**	**2,376**	**3,394**	**2,736**	**1,945**	**19,504**	**527**	**20,031**
Additions	**1,018**	**917**	**2,478**	**707**	**4,988**	**10,108**	**13,661**	**23,769**
Disposals	**–**	**(33,249)**	**(20,679)**	**(26,161)**	**(926)**	**(81,015)**	**–**	**(81,015)**
Transfer to non-current assets classified as held for sale (note 25)	**(20,693)**	**–**	**–**	**–**	**–**	**(20,693)**	**–**	**(20,693)**
At 31 December 2007	**131,101**	**28,475**	**61,800**	**33,578**	**34,045**	**288,999**	**15,245**	**304,244**
Representing:								
Cost	**–**	**28,475**	**61,800**	**33,578**	**34,045**	**157,898**	**15,245**	**173,143**
Valuation – 2007	**131,101**	**–**	**–**	**–**	**–**	**131,101**	**–**	**131,101**
	131,101	**28,475**	**61,800**	**33,578**	**34,045**	**288,999**	**15,245**	**304,244**

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	The Group							
	Buildings held for own use HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Moulds HK$'000	Sub-total HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation:								
At 1 January 2006	22,168	41,816	33,634	31,273	15,216	144,107	–	144,107
Exchange adjustments	1,001	1,299	1,003	1,168	678	5,149	–	5,149
Charge for the year	6,616	4,513	7,221	5,900	7,057	31,307	–	31,307
Written back on disposals	–	(1,641)	(2,103)	(2,917)	–	(6,661)	–	(6,661)
Disposals of subsidiaries	–	5	–	(636)	–	(631)	–	(631)
At 31 December 2006	29,785	45,992	39,755	34,788	22,951	173,271	–	173,271
At 1 January 2007	29,785	45,992	39,755	34,788	22,951	173,271	–	173,271
Exchange adjustments	2,387	1,818	1,862	1,570	1,708	9,345	–	9,345
Charge for the year	7,876	4,493	6,642	5,576	7,767	32,354	–	32,354
Written back on disposals	–	(33,208)	(12,488)	(23,544)	(985)	(70,225)	–	(70,225)
Transfer to non-current assets classified as held for sale (note 25)	(4,749)	–	–	–	–	(4,749)	–	(4,749)
At 31 December 2007	**35,299**	**19,095**	**35,771**	**18,390**	**31,441**	**139,996**	**–**	**139,996**
Net book value:								
At 31 December 2007	**95,802**	**9,380**	**26,029**	**15,188**	**2,604**	**149,003**	**15,245**	**164,248**
At 31 December 2006	111,938	12,439	36,852	21,508	5,087	187,824	1,057	188,881

(a) Property, plant and equipment held under finance lease:

The Group leases plant and machinery under finance leases expiring from two to three years. At the end of the lease term, the Group has the option to purchase the leased plant and machinery at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. At the balance sheet date, the net book value of plant and machinery held under finance leases of the Group was approximately HK$2,758,000 (2006: HK$3,936,000).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The analysis of net book value of buildings is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong		
– medium-term leases	**4,150**	4,486
Outside Hong Kong		
– medium-term leases	**91,652**	107,452
	95,802	111,938
Representing:		
Buildings carried at fair value	**95,802**	111,938

(c) Buildings held for own use were revalued as at 31 December 2007 on the basis of (i) their open market value by reference to observable prices in recent market transactions in comparable properties for buildings in Hong Kong and (ii) their depreciated replacement costs for buildings in Mainland by Asset Appraisal Ltd., an independent professional valuers firm with recent experience in the location and category of property being valued. The carrying amounts did not differ materially from their fair value as at 31 December 2007.

The cost of buildings held for use of the Group was approximately HK$130,230,000 (2006: HK$140,852,000). The carrying value of these buildings as at 31 December 2007 would have been approximately HK$94,931,000 (2006: HK$111,067,000) had they been carried at cost less accumulated depreciation.

(d) At 31 December 2007, the Group's buildings and prepaid lease payments (note 15) with an aggregate carrying value of HK$65,152,000 (2006: HK$98,708,000) were pledged to banks to secure banking facilities granted to the Group as set out in note 28.

(e) The Group's prepaid lease payments of approximately RMB34,587,000 (equivalent to approximately HK$36,818,000) (2006: RMB35,392,000 (equivalent to approximately HK$35,392,000)) and buildings of approximately RMB35,431,000 (equivalent to approximately HK$37,716,000) (2006: RMB39,070,000 (equivalent to approximately HK$39,070,000)) are held by a subsidiary in the PRC, which represents the land use rights together with the buildings thereon situated in Shenzhen, the PRC. The applications for the property ownership certificates of the leasehold land and buildings situated in Shenzhen with net book value of HK$25,016,000 (2006: HK$28,420,000) and HK$27,626,000 (2006: HK$35,392,000) respectively are still in progress and the property ownership certificates have not yet been issued to the Group by the relevant offices of the State-owned Land Bureau in the PRC as at the balance sheet date. Notwithstanding this, the directors are of the opinion that the Group has acquired the beneficial titles to these leasehold land and buildings as at 31 December 2007 and the property ownership certificates can be obtained before the end of 2008.

(f) **Construction in progress**
Construction in progress as at 31 December 2007 represents buildings, intended by the Group for holding for own use, under construction.

14. INVESTMENT PROPERTY

	The Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**9,970**	32,000
Valuation adjustment	**2,670**	–
Transfer to property, plant and equipment (note 13)	**–**	(4,626)
Transfer to prepaid lease payments (note 15)	**–**	(17,404)
At 31 December	**12,640**	9,970

(a) The investment property is held under the medium-term leases and situated in Hong Kong.

(b) The investment property was revalued as at 31 December 2007 on the basis of their open market value by reference to observable prices in recent market transactions in comparable properties by Asset Appraisal Ltd., an independent professional valuers firm, who have among their staff associate members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. During the year ended 31 December 2007, the total valuation gain of approximately HK$2,670,000 (2006: Nil) was credited to the income statement.

(c) **Investment property leased out under operating leases**

The Group leases out investment property under operating leases. The lease typically runs for an initial period of one to four years. The leases do not include renewal option. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

At 31 December 2007, the carrying amounts of investment property of the Group held for use under operating leases were approximately HK$12,640,000 (2006: HK$9,970,000).

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	HK$'000	HK$'000
Within 1 year	**500**	274
After 1 year but within 5 years	**1,291**	–
	1,791	274

(d) At 31 December 2007, the Group's investment property with a carrying amount of HK$12,640,000 (2006: Nil) were pledged to secure general banking facilities granted to the Group as set out in note 28.

(e) In 2006, the Group transferred its investment property, which was carried at fair value of approximately HK$22,030,000 at the date of change in use from earning rental income to holding for own use, to property, plant and equipment of approximately HK$4,626,000 (note 13) and prepaid lease payments of approximately HK$17,404,000 (note 15).

15. PREPAID LEASE PAYMENTS

The Group's interests in leasehold land and land use rights are analysed as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Net book value at 1 January	**68,254**	50,822
Exchange adjustments	**3,250**	1,622
Transfer to non-current assets held for sale (note 25)	**(6,989)**	–
Transfer from investment property (note 14)	**–**	17,404
Amortisation	**(1,626)**	(1,594)
Net book value at 31 December	**62,889**	68,254
Current portion included in trade and other receivables (note 23)	**(1,501)**	(1,602)
Non-current portion	**61,388**	66,652

(a) The analysis of net book value of prepaid lease payments is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong		
– medium-term leases	**16,801**	17,226
Outside Hong Kong		
– medium-term leases	**46,088**	51,028
	62,889	68,254

16. INTANGIBLE ASSETS

	The Group			
	Patents	Development costs	Deferred expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006				
Cost	8,217	9,530	11,963	29,710
Accumulated amortisation	(6,881)	(8,251)	(11,963)	(27,095)
Accumulated impairment	(491)	–	–	(491)
Net carrying amount	845	1,279	–	2,124
Year ended 31 December 2006				
Opening net carrying amount	845	1,279	–	2,124
Exchange adjustments	(1)	129	–	128
Additions	150	15,573	–	15,723
Disposals	–	(3)	–	(3)
Amortisation	–	(12,176)	–	(12,176)
Closing net carrying amount	**994**	**4,802**	**–**	**5,796**
At 31 December 2006				
Cost	8,366	17,092	4,167	29,625
Accumulated amortisation	(6,881)	(12,290)	(4,167)	(23,338)
Accumulated impairment	(491)	–	–	(491)
Net book amount	994	4,802	–	5,796
Year ended 31 December 2007				
Opening net carrying amount	994	4,802	–	5,796
Exchange adjustments	(2)	–	–	(2)
Additions	166	–	–	166
Amortisation	(231)	(4,802)	–	(5,033)
Closing net carrying amount	**927**	**–**	**–**	**927**
At 31 December 2007				
Cost	1,158	1,826	–	2,984
Accumulated amortisation	(231)	(1,826)	–	(2,057)
Accumulated impairment	–	–	–	–
Net carrying amount	927	–	–	927

16. INTANGIBLE ASSETS (Continued)

Development costs represent the internally developed technologies relating to the process, methods, techniques, materials and product specifications for the production of home, garden and plastic decorative products.

Patents represent the registration fee of internally developed technologies, which have been registered with relevant government authorities to restrict the access of such technologies by third parties.

Deferred expenses represent payments made to customers as consideration for their long term commitments to purchase exclusively from the Group.

The amortisation charge for the year is included in "cost of sales" of approximately HK$4,802,000 (2006: HK$12,176,000) and "other operating expenses" of approximately HK$231,000 (2006: Nil) respectively in the consolidated income statement.

17. GOODWILL

	The Group HK$'000
Cost:	
At 1 January 2006	3,916
Disposal of subsidiaries (note 35)	(457)
At 31 December 2006, 1 January 2007 and 31 December 2007	3,459
Accumulated impairment losses:	
At 1 January 2006, 31 December 2006 and 1 January 2007	–
Impairment loss	(3,459)
At 31 December 2007	(3,459)
Carrying amount:	
At 31 December 2007	–
At 31 December 2006	3,459

17. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill

Goodwill, mainly arising from the acquisition of the subsidiaries namely Waterwerks Pty. Ltd. and Kun Ming (Shenzhen) Electrical Appliance Co., Ltd., is allocated, before impairment provision, to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	2007 **HK$'000**	2006 HK$'000
Outdoor decoration	**–**	2,155
Indoor decoration	**–**	1,003
Plastic injection	**–**	204
Others	**–**	97
	–	3,459

The recoverable amount of CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 18% (2006: 5%). No growth rate is projected beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Due to unsatisfactory operating performance, the value-in-use calculated by using the discount rate is lower than the carrying amount of the CGU and accordingly an impairment loss of approximately HK$3,459,000 was recognised in 2007:

	2007 **HK$'000**	2006 HK$'000
Outdoor decoration	**2,155**	–
Indoor decoration	**1,003**	–
Plastic injection	**204**	–
Others	**97**	–
	3,459	–

Key assumptions were used in the value-in-use calculations of the outdoor decoration and indoor decoration units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for currencies denominated in Renminbi, United States dollars and Hong Kong dollars from where raw materials are sourced. The values assigned to key assumptions are consistent with external information sources.

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**75,331**	75,331
Less: impairment loss (note 18(a))	**(61,740)**	(47,629)
	13,591	27,702
Amounts due from subsidiaries (note 18(b))	**288,219**	203,191
Less: impairment loss (note 18(a))	**(154,046)**	–
	134,173	203,191
	147,764	230,893

(a) Movement on the provision for impairment of investments in subsidiaries is analysed as follows:

	The Company	
	2007	2006
	HK$'000	HK$'000
Investment costs:		
At 1 January	**47,629**	47,629
Impairment loss recognised	**14,111**	–
At 31 December	**61,740**	47,629
Amounts due from subsidiaries:		
At 1 January	**–**	–
Impairment loss recognised	**154,046**	–
At 31 December	**154,046**	–

Due to unsatisfactory operating performance of certain subsidiaries, after considering profitability, cash flow position, financial position and forecast business development and future prospects of the subsidiaries, the directors concluded that it is appropriate to make an impairment of approximately HK$61,740,000 (2006: HK$47,629,000) on the investment costs in subsidiaries and approximately HK$154,046,000 (2006: Nil) on amounts due from subsidiaries respectively.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

At 31 December 2007, the provision for impairment of investment in subsidiaries by business segment is as follows:

	The Company		
	At 1 January 2006, 31 December 2006 and 1 January 2007 HK$'000	**Recognised during the year** HK$'000	**At 31 December 2007** HK$'000
Investment costs:			
Outdoor decoration	16,280	9,264	25,544
Indoor decoration	31,349	–	31,349
Plastic injection	–	2,419	2,419
Others	–	2,428	2,428
	47,629	14,111	61,740
Amounts due from subsidiaries:			
Outdoor decoration	–	64,545	64,545
Indoor decoration	–	76,746	76,746
Plastic injection	–	6,670	6,670
Others	–	6,085	6,085
	–	154,046	154,046

The recoverable amount of the investments in subsidiaries based upon which impairment loss is arrived at its value in use and is determined using discounted cash flows at discount rate of 18%.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries were not repayable within one year from the balance sheet date as the Company has given undertakings to provide continuous financial support to the subsidiaries by subordinating its rights to demand repayment of all sums due by the subsidiaries to their creditors.

(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) The following list contains only the particulars of subsidiaries which principally affect the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective holding**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Peaktop Investment Holdings (B.V.I.) Limited (note (i))	British Virgin Islands	10,000 shares of US$1 each	100%	100%	–	Investment holding
Peaktop Limited	Hong Kong	100 shares of HK$1 each and 18,720,000 deferred shares of HK$1 each (note (ii))	100%	–	100%	Trading of giftware, gardening and water gardening products and investment holding
Fuqing Yuansheng Light Industrial Products Co., Ltd. (note (iii))	Mainland China	Registered US$5,200,000	100%	–	100%	Manufacture and export of giftware, gardening and water gardening products during the year, but has been inactive after the balance sheet date
Luhe Yuansheng Light Industrial Products Co., Ltd. (note (iii))	Mainland China	Registered US$3,000,000	100%	–	100%	Manufacture and export of giftware, gardening and water gardening products
Shenzhen Yuansheng Light Industrial Products Co., Ltd. (note (iii))	Mainland China	Registered RMB80,000,000	100%	–	100%	Manufacture and export of giftware, gardening and water gardening products
Shenzhen Yu Hua Pumping Co., Ltd. (formerly known as Yu Hua (Zhong Shan) Electrical Appliance Co., Ltd.) (note (i) and (iii))	Mainland China	Registered HK$26,000,000	100%	–	100%	Manufacture and distribution of water pumps
Yu Hua (Hong Kong) Electrical Appliance Co., Ltd.	Hong Kong	Registered HK$10,000	100%	–	100%	Distribution of water pumps

(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective holding	Held by the Company	Held by a subsidiary	Principal activity
Tai Hua (Zhong Shan) Electrical Appliance Co., Ltd. (note (i) and (ii))	Mainland China	Registered HK$3,500,000	100%	–	100%	Manufacture and distribution of water pumps
Silk Road Gifts, Inc. (note (i))	United States of America	95,000 shares of US$1 each	100%	–	100%	Wholesale of giftware and stationery and development of new products
HPT Group (USA), Inc. (note (i))	United States of America	5,001,500 shares of US$1 each	100%	–	100%	Investment holding
Heissner UK Limited (note (i))	United Kingdom	210,000 shares of £1 each	75.43%	–	100%	Distribution of gardening and water gardening products
Waterwerks Pty. Ltd. (note (i))	Australia	10,000 shares of AUD1 each	90%	–	90%	Distribution of gardening and water gardening products
Peaktop Technologies (USA) Hong Kong Limited (note (i))	Hong Kong	10,000 shares of HK$1 each	51%	–	51%	Distribution of gardening and water gardening products
Peaktop (Vietnam) Limited (note (i))	Vietnam	Registered US$2,000,000	100%	–	100%	Manufacture and export of candle products

Notes:

(i) Companies not audited by CCIF CPA Limited.

(ii) In accordance with the Articles of Association of Peaktop Limited, the deferred shares carry no rights to dividends other than a dividend at a fixed rate of 1% per annum on the excess of the net profits that the Company may determine to distribute in respect of any financial year over HK$1,000,000,000,000,000, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up other than 1% of the surplus assets of the company available for distribution after a total of HK$100,000,000,000,000,000 has been distributed to the holders of the ordinary shares of the company in such winding-up.

(iii) Registered under the laws of the People's Republic of China (the "PRC") as wholly foreign-owned enterprise.

(iv) During the year, the Group set up a new subsidiary, namely 深圳巨成泵業有限公司, with registered capital of HK$3,500,000, of which HK$1,050,000 has been paid by the Group and the remaining unpaid registered capital HK$2,450,000 will be paid up before July 2008.

19. INTEREST IN AN ASSOCIATE

	The Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**–**	–
Amounts due from an associate	**171**	171
Less: impairment loss	**(171)**	(217)
	–	(46)

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

In prior years, the directors assessed the recoverable amount of the amount due from the associate and concluded to make a full impairment on the amount due from the associate, after taking into account the cash flow position, forecast of the performance and business development of the associate. At 31 December 2007, the directors concluded that no significant change in the events and circumstances that led to the recognition of the impairment loss.

(a) The following list contains only the particulars of an associate, which is an unlisted corporate entity:

				Proportion of ownership			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a Subsidiary**	**Principal activity**
Yuan Hua International Investment Company Limited ("Yuan Hua")*	Incorporated	Hong Kong	500,000 ordinary shares of HK$1 each	30%	–	30%	Inactive

* Company not audited by CCIF CPA Limited.

(b) The summarised financial information of Yuan Hua based on the unaudited management accounts of the associate as at 31 December and for the year ended 31 December is as follows:

	2007	2006
	HK$'000	HK$'000
Assets	**–**	3
Liabilities	**(595)**	(593)
Capital deficiency	**(595)**	(590)
Revenues	**–**	–
Loss	**(2)**	(3)

19. INTEREST IN AN ASSOCIATE (Continued)

(c) The Group has discontinued recognition of its shares of loss of an associate. The amount of unrecognised share of loss of the associate, both for the year and cumulatively, are as follows:

	2007 HK$'000	2006 HK$'000
Unrecognised share of loss of an associate for the year	**1**	1
Accumulated unrecognised share of loss of an associate	**178**	177

20. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2007 HK$'000	2006 HK$'000
Available-for-sale financial assets (note 20(a))		
– Unlisted equity securities outside Hong Kong, at cost	**8,420**	12,707
Financial asset at fair value through profit or loss (note 20(b))		
– Unlisted outside Hong Kong	**23,471**	20,460
	31,891	33,167

(a) Available-for-sale financial assets

The available-for-sale financial assets are not traded in an open market and there is no quoted market price. The directors are of the opinion that the fair value of available-for-sale financial assets cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The available-for-sale financial assets are stated at cost less any impairment losses, if any.

There are no impairment provisions on available-for-sale financial assets.

On 6 August 2007, the Group disposed of certain of its available-for-sale financial assets amounting to approximately HK$4,287,000. Gain on disposal of the available-for-sale financial assets amounted to approximately HK$6,243,000.

None of the available-for-sale financial assets is either past due or impaired.

(b) Financial asset at fair value through profit or loss

The movement in financial asset at fair value through profit or loss is analysed as follows:

	2007 HK$'000	2006 HK$'000
At 1 January	**20,460**	–
Additions	**–**	20,460
Change in fair value (note 5)	**611**	–
Exchange differences	**2,400**	–
At 31 December	**23,471**	20,460

20. OTHER NON-CURRENT FINANCIAL ASSETS (Continued)

(b) Financial asset at fair value through profit or loss (Continued)

Financial asset at fair value through profit or loss represents consideration receivable in relation to the Group's disposal of its 81% equity interest in Heissner AG (the "Sale Shares"), a former subsidiary of the Company, to an independent third party in August 2006. The consideration with a notional amount of Euro€2 million subject to adjustment between zero to Euro€2.5 million with reference to the performance of Heissner AG and its subsidiaries for the five years ending 31 December 2010, is interest-bearing at 6% p.a. and receivable with accrued interest in November 2011. The Group may demand the retransfer of the Sale Shares back to the Group, if the consideration is zero unless the purchaser elects to pay a purchase price of Euro€1 million.

Fair value at the balance sheet date is determined by the directors based on the valuation assessed by Asset Appraisal Ltd., an independent professionally qualified valuer.

21. TRADING SECURITIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trading securities, at market value		
Unlisted investment funds in Hong Kong	**942**	936

22. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**41,341**	60,721
Work in progress	**16,010**	16,660
Finished goods	**20,002**	75,471
	77,353	152,852

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount of inventories sold	**447,677**	666,368
Write down of inventories	**6,845**	141
	454,522	666,509

Due to unsatisfactory sales records on certain inventories which were held by the Group for more than one year, the estimated net realisable value of the inventories was written down by approximately HK$6,845,000 (2006: HK$141,000).

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors and bills receivable	**69,274**	92,114	**–**	–
Less: allowance for doubtful debts (note 23(b))	**(6,222)**	(2,924)	**–**	–
	63,052	89,190	**–**	–
Compensation receivable from legal claim (note 39)	**7,771**	–	**–**	–
Amount due from an investee company (note 23(d))	**22,633**	26,987	**–**	–
Others (note 23(e))	**–**	2,032	**–**	–
Loans and receivables	**93,456**	118,209	**–**	–
Deposits	**1,921**	1,441	**35**	27
Prepayments to suppliers	**9,882**	8,024	**–**	–
Prepaid lease payments (note 15)	**1,501**	1,602	**–**	–
Other prepayments	**6,825**	13,375	**–**	–
PRC value added tax recoverables	**10,526**	5,800	**–**	–
	30,655	30,242	**35**	27
	124,111	148,451	**35**	27

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	HK$'000	HK$'000
Current	**56,094**	81,279
Less than 1 month past due	**1,714**	4,660
1 to 3 months past due	**709**	1,812
More than 3 months past due	**4,535**	1,439
Amounts past due	**6,958**	7,911
	63,052	89,190

Debts are generally due within three to six months from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests. Further details on the Group's credit policy are set out in note 36(a).

23. TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which cases the impairment loss is written off against trade debtors and bills receivable directly (see note 2(m)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**2,924**	2,418
Exchange adjustments	**110**	61
Impairment loss recognised	**6,222**	2,924
Uncollectible amounts written off	**(3,034)**	(2,479)
At 31 December	**6,222**	2,924

At 31 December 2007, the Group's trade debtors and bills receivable of approximately HK$6,222,000 (2006: HK$2,924,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of approximately HK$6,222,000 (2006: HK$2,924,000) were recognised. The Group does not hold any collateral over these balances. The factors which the Group considered in determining whether these trade debtors and bills receivables were individually impaired include the following:

– significant financial difficulty of the debtors; and

– receivables that have been more than six months past due as at the balance sheet date without any settlement during the year and remained outstanding.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**56,094**	81,279
Less than 1 month past due	**1,714**	4,660
1 to 3 months past due	**5,244**	3,251
	6,958	7,911
	63,052	89,190

23. TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade debtors and bills receivable that are not impaired (Continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Amount due from an investee company

The amount due from Heissner AG, a company the Group holds 18.1% equity interest (an investment included in note 20(a)) is unsecured, interest-free and has no fixed terms of repayment.

(e) Others

The amount represents the remaining sales proceeds of HK$2,032,000 (2006: HK$2,032,000) receivable from Newa-Techno, an independent party, for the disposal of the then subsidiary Peaktop Technologies Italy s.r.l. ("Peaktop Italy") in 2004. Pursuant to the sales and purchase agreement entered into between the Group and Newa-Techno, the Group disposed of the entire issued share capital of Peaktop Italy and a shareholder's loan in the sum of US$1,561,855 (equivalent to approximately HK$12,182,469) owing by Peaktop Italy to the Group for an aggregate consideration of US$800,000 (equivalent to approximately HK$6,240,000). In accordance with the sales and purchase agreement, the sales consideration of US$800,000 is to be settled as follows:

(i) US$400,000 (equivalent to approximately HK$3,120,000) was settled in cash in 2004;

(ii) US$250,000 (equivalent to approximately HK$1,950,000) will be satisfied by Newa-Techno providing, or procuring Peaktop Italy to provide, general research and development services in relation to water pumps used in the household indoor aquariums and water filtering systems to the Group on or before 31 December 2006 and which was subsequently extended to on or before 31 December 2007 under the agreement between the Group and Newa-Techno; and

(iii) US$150,000 (equivalent to approximately HK$1,170,000) was satisfied by Newa-Techno providing, or procuring Peaktop Italy to provide, a 15% discount on the aggregate purchase price of US$1,000,000 (equivalent to approximately HK$7,800,000) on water pumps, to the Group on or before 31 December 2006 and, which was subsequently extended to on or before 31 December 2007 under the agreement between the Group and Newa-Techno.

As at 31 December 2006, unsettled portion of the research and development services and the purchase discount as stated in (ii) and (iii) above are recorded under "trade and other receivables" in the consolidated financial statements.

In 2007, in light of the fact that the Group no longer acquired research and development services and water pump from Newa-Techno, the directors considered it appropriate to write off the amount of HK$2,032,000 (2006: nil) in full.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank deposits with original maturity of three months or less	**16,066**	8,110	**–**	3,110
Cash at banks and on hand	**26,187**	20,683	**9,548**	25
Cash and cash equivalents in the balance sheets	**42,253**	28,793	**9,548**	3,135
Less: Bank overdrafts (note 28)	**(5,756)**	(6,492)		
Pledged deposits (note 24(a) and 28)	**(1,065)**	(1,021)		
Cash and cash equivalents in the consolidated cash flow statement	**35,432**	21,280		

(a) At 31 December 2007, a bank deposit of approximately HK$1,065,000 (2006: HK$1,021,000) was pledged as security against banking facilities amounting to approximately HK$5,323,000 (2006: HK$5,000,000) extended to the Group. Such facilities were utilised to the extent of approximately HK$4,210,000 (2006: HK$3,510,000) at 31 December 2007.

(b) Cash and cash equivalents of approximately HK$6,867,000 (equivalent to approximately RMB6,451,000) (2006: HK$2,067,000 (equivalent to approximately RMB2,067,000)) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

25. NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2007, the Group and an independent third party entered into an agreement that the Group would dispose of certain buildings and prepaid lease payments to the independent third party for an aggregate consideration of approximately HK$29,328,000. The transaction was completed in February 2008.

The non-current assets classified as held for sale represent certain buildings held for own use and prepaid lease payments with carrying amount of approximately HK$15,944,000 and approximately HK$6,989,000 respectively. As the carrying amount of these properties will be recovered through the sale transaction, they have been presented as non-current assets held for sale as at 31 December 2007. As the expected disposal proceeds are to exceed their carrying amounts, no impairment loss has been recognized immediately before the classification of the non-current assets held for sale.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors and bills payable (note 26 (a))	**78,315**	96,910	**–**	–
Accrued salaries, wages and other benefits	**15,229**	7,040	**–**	–
Other accrued charges	**30,431**	27,723	**558**	58
Amount due to a director (note 26 (b))	**2,000**	–	**2,000**	–
Amount due to an ex-director (note 26 (c))	**2,066**	–	**–**	–
Amount due to a minority equity holder (note 26 (d))	**189**	189	**–**	–
Amount due to a substantial shareholder (note 26 (e))	**3,000**	–	**3,000**	–
Other creditors (note 26 (f))	**11,663**	–	**–**	–
Financial liabilities measured at amortised cost	**142,893**	131,862	**5,558**	58
Financial guarantees issued	**–**	–	**3,708**	–
	142,893	131,862	**9,266**	58

All of the trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

(a) Trade creditors and bills payable

The ageing analysis of trade creditors and bills payable as of the balance sheet date is analysed as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Due within 1 month or on demand	**37,707**	57,131
Due after 1 month but within 2 months	**17,675**	20,035
Due after 2 months but within 3 months	**10,660**	9,272
Due after 3 months	**12,273**	10,472
	78,315	96,910

26. TRADE AND OTHER PAYABLES (Continued)

(b) Amount due to a director

The amount is unsecured, interest-free and repayable on demand.

(c) Amount due to an ex-director

The amount is unsecured, interest-free and repayable on demand.

(d) Amount due to a minority equity holder

The amount is unsecured, interest-free and repayable on demand.

(e) Amount due to a substantial shareholder

The amount is unsecured, interest-free and repayable on demand.

(f) Other creditors

During the year, certain independent third parties advanced to the Group amounting to approximately HK$11,663,000. The amounts are unsecured, interest-free and repayable on demand.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Forward foreign exchange contracts, at market value	**2,113**	–

The net unrealised fair value gain/(loss) on forward foreign exchange contracts as at 31 December 2007 which are not qualified as hedges has been accounted for in the consolidated income statement.

Details of the outstanding forward foreign exchange contracts held by the Group as at 31 December 2007 are disclosed in note 36(d). These contracts expire through 2008.

28. BANK LOANS AND OVERDRAFTS

At 31 December 2007, the borrowings were carried at amortized cost and repayable as follows:

	2007 **HK$'000**	2006 HK$'000
Within 1 year or on demand	**209,757**	244,276
After 1 year but within 2 years	**2,468**	4,677
After 2 years but within 5 years	**12,320**	–
	14,788	4,677
	224,545	248,953

At 31 December 2007, the bank loans and overdrafts were secured as follows:

	2007 **HK$'000**	2006 HK$'000
Bank overdrafts:		
– Secured	**5,359**	6,089
– Unsecured	**397**	403
	5,756	6,492
Bank loans		
– Secured	**167,588**	123,701
– Unsecured	**51,201**	118,760
	218,789	242,461
	224,545	248,953

28. BANK LOANS AND OVERDRAFTS (Continued)

At 31 December 2007, the carrying value of pledged assets in relation to the secured bank loans and overdrafts was analysed as follows:

	2007			2006		
	Carrying value of pledged assets HK$'000	**Interest rate**	**Bank loans and overdrafts HK$'000**	Carrying value of pledged assets HK$'000	Interest rate	Bank loans and overdrafts HK$'000
Bank loans and overdrafts secured by						
Land and buildings (note 13(d))	**65,152**	**5.33%-8.25%**	**114,608**	98,708	5.12%-8.00%	81,458
Non-current assets held for sale (note 25)	**22,933**	**8.00%-8.25%**	**13,792**	–	–	–
Investment property (note 14(d))	**12,640**	**8.00%-8.25%**	**13,673**	–	–	–
Trading securities (note 21)	**942**	**8%**	**1,122**	936	7%-8%	23,448
Bank deposits (note 24)	**1,065**	**8.00%-8.25%**	**4,210**	1,021	5.85%-6.125%	3,510
Discounted bills with recourse	**4,499**	**7.50%-8.25%**	**4,499**	1,060	4.95%-8.25%	6,145
Total assets of two subsidiaries	**44,014**	**6.50%-8.25%**	**21,043**	70,328	5.75%-8.25%	15,229
			172,947			129,790
Unsecured bank loans and overdrafts	**N/A**	**5.33%-8.25%**	**51,598**	N/A	4.94%-8.00%	119,163
			224,545			248,953

(a) At 31 December 2007, the banking facilities of the Group were secured by:

(i) corporate guarantees from the Company and certain subsidiaries of the Company;

(ii) personal guarantee from Mr. Lin Chuen Kuei, a director of the Company;

(iii) first legal charges over buildings and prepaid lease payments of the Group with an aggregate carrying value of approximately HK$88,085,000 (2006: HK$98,708,000) including of non-current assets held for sale amounting to approximately HK$22,933,000 (2006: Nil);

(iv) legal charges over the investment property of approximately HK$12,640,000 (2006: Nil);

(v) trading securities of approximately HK$942,000 (2006: HK$936,000);

(vi) bank deposits of approximately HK$1,065,000 (2006: HK$1,021,000);

(vii) bills receivable of approximately HK$4,499,000 (2006: HK$1,060,000); and

28. BANK LOANS AND OVERDRAFTS (Continued)

(a) At 31 December 2007, the banking facilities of the Group were secured by: (Continued)

(viii) floating charges over the assets of two subsidiaries with an aggregate carrying value of approximately HK$44,014,000 (2006: HK$70,328,000) representing furniture, fixtures, equipment and motor vehicles of approximately HK$5,083,000 (2006: HK$8,740,000), leasehold improvements of approximately HK$1,554,000 (2006: HK$1,972,000), inventories of approximately HK$3,453,000 (2006: HK$19,678,000), trade receivables of approximately HK$26,680,000 (2006: HK$27,233,000) and other assets of approximately HK$7,244,000 (2006: HK$12,705,000).

Such banking facilities amounted to approximately HK$243,267,000 (2006: HK$173,206,000). The facilities were utilised to the extent of approximately HK$172,947,000 (2006: HK$129,790,000).

(b) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to (i) certain subsidiaries' financial statement ratio including the maintenance of the capital adequacy ratio at not less than 25% (2006: 25%) of the subsidiaries and (ii) the asset value of the Company and certain subsidiaries. If the Group were to breach the covenants the drawn down facilities would become payable on demand.

At 31 December 2007, the Group has breached the covenants of certain banking facilities. Such banking facilities amounting to approximately HK$65,924,000 (2006: HK$51,937,000) were utilised to the extent of approximately HK$27,901,000 (2006: HK$38,719,000). Included in the amount utilised are:

(i) approximately HK$6,858,000 (2006: Nil) which, in accordance with the terms of the banking facilities, approximately HK$5,819,000 was scheduled to be repaid after one year from the balance sheet date, but is classified as current liabilities in the consolidated balance sheet as the Group does not have an unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of the covenants. Subsequent to the balance sheet date, the Group has received a waiver by a bank from compliance with these covenants in relation to the amount of approximately HK$5,736,000.

(ii) approximately HK$21,043,000 (2006: Nil) which, in accordance with the terms of the banking facilities, was scheduled to be repaid within one year from the balance sheet date and is classified as current liabilities in the consolidated balance sheet. Subsequent to the balance sheet date, the Group has received a waiver by a bank from compliance with these convenants in relation to the amount of approximately HK$10,930,000.

The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 36(b).

29. OTHER LOAN, UNSECURED

At 31 December 2007, the Group's other loan of HK$9,852,000 (2006: Nil) due to a financial institution bore interest at 9% per annum and was repayable on or before 29 February 2008. The loan is secured by personal guarantees to the extent of HK$10,000,000 put up by Mr. Lin Chun Kuei and Mr. Li Chien Kuan, the directors of the Company. The loan was repaid by the Group in full in February 2008.

30. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2007, the Group had obligations under finance leases repayable as follows:

	The Group			
	2007		2006	
	Present value of the minimum lease payments HK$'000	**Total lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total lease payments HK$'000
Within 1 year	**320**	**330**	1,345	1,447
After 1 year but within 2 years	**–**	**–**	675	694
	320	**330**	2,020	2,141
Less: total future interest expenses		**(10)**		(121)
Present value of lease obligations		**320**		2,020

31. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2007 HK$'000	2006 HK$'000
Provision for profits tax for the year	**2,867**	638
Provisional profits tax paid	**(1,324)**	(702)
	1,543	(64)
Balance of profits tax provision relating to prior years	**834**	1,415
	2,377	1,351

31. INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The Group

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

Deferred tax arising from:	**Tax losses**	**Depreciation allowances in excess of the related depreciation**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	(234)	649	740	1,155
Exchange adjustments	(155)	33	–	(122)
Charged/(credited) to income statement	(2,630)	113	–	(2,517)
At 31 December 2006 and 1 January 2007	(3,019)	795	740	(1,484)
Exchange adjustments	(192)	22	–	(170)
Charged/(credited) to income statement	3,104	(817)	–	2,287
At 31 December 2007	(107)	–	740	633

	The Group	
	2007	2006
	HK$'000	HK$'000
Net deferred assets recognised on the balance sheet	**–**	(1,484)
Net deferred tax liability recognised on the balance sheet	**633**	–
	633	(1,484)

(c) Deferred taxation not recognised:

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of tax losses of approximately HK$62 million (2006: HK$55 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

At 31 December 2007, the Group's tax losses of approximately HK$5 million (2006: HK$12 million) do not expire under current tax legislation and tax losses of approximately HK$57 million (2006: HK$43 million) will expire in five years from the year in which they were incurred.

The Group had no other significant deferred taxation not provided for during the year and at the balance sheet date.

32. EMPLOYEE RETIREMENT BENEFITS

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

(b) Pursuant to the relevant labour rules and regulations in the Mainland, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at a rate of 8% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees which are calculated based on a certain percentage of the basic payroll.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which is adopted on 18 June 2002. The purpose of the Scheme is to enable the Company to grant options to the eligible participants in recognition of their contribution to the Group. Subject to the terms of the Scheme, the directors may, at their absolute discretion, invite employees of the Group, including executive directors, non-executive directors of the Company or any of its subsidiaries, suppliers, consultants, agents and advisers, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for shares.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) at any time under this scheme shall not, when aggregated with any shares subject to any other schemes involving the issue or grant of option over shares by the Company, or for the benefit of the eligible participants, exceed such number of shares as shall represent 10% of the issued share capital of the Company at the adoption date (the "Scheme Mandate Limit"). Options that lapse in accordance with the terms of this scheme will not be counted for the purpose of calculating the Scheme Mandate Limit unless the Company obtains a fresh approval from shareholders to renew the 10% limit provided that the maximum number of shares in respect of which options may be granted under the Scheme together with any options outstanding and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the issued shares from time to time.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of the grant of each eligible participant shall not exceed 1% of the total issued shares.

The offer of a grant of share option may be accepted within a period of 28 days from the date of offer. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the eligible participant together with the consideration of HK$1 is received by the Company.

The exercise price for shares will not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of the grant.

An option may be exercised at any time during the period to be determined and identified by the board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the new share option scheme.

No share options were granted during the year and there were no outstanding share options under the Scheme at the balance sheet date (2006: Nil).

34. CAPITAL AND RESERVES

(a) The Group

	Note	Attributable to equity shareholders of the Company									
		Share capital	Share premium	Contributed surplus	Exchange reserve	Asset revaluation reserve	Statutory reserve	(Accumulated losses)/ retained profit	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006		85,720	99,260	18,528	722	3,986	22,779	5,299	236,294	1,261	237,555
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	6,802	–	–	–	6,802	97	6,899
Transfer to statutory reserve		–	–	–	–	–	1,007	(1,007)	–	–	–
Disposal of subsidiaries	35	–	–	–	2,261	(3,115)	–	–	(854)	(1,099)	(1,953)
Profit for the year		–	–	–	–	–	–	13,766	13,766	(58)	13,708
At 31 December 2006 and 1 January 2007		85,720	99,260	18,528	9,785	871	23,786	18,058	256,008	201	256,209
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	6,261	–	–	–	6,261	–	6,261
Shares issued under the placing	34(c)(iii)	14,200	73,322	–	–	–	–	–	87,522	–	87,522
Loss for the year		–	–	–	–	–	–	(193,838)	(193,838)	(201)	(194,039)
At 31 December 2007		99,920	172,582	18,528	16,046	871	23,786	(175,780)	155,953	–	155,953

Included in the accumulated losses as at 31 December 2007 of the Group is an amount of approximately HK$150,000 (2006: HK$150,000) being the accumulated losses attributable to an associate.

34. CAPITAL AND RESERVES (Continued)

(b) The Company

	Note	**Share capital** HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2006		85,720	99,260	75,131	(22,612)	237,499
Loss for the year		–	–	–	(2,566)	(2,566)
At 31 December 2006 and 1 January 2007		85,720	99,260	75,131	(25,178)	234,933
Shares issued under the placing	34(c)(iii)	14,200	73,322	–	–	87,522
Loss for the year		–	–	–	(173,432)	(173,432)
At 31 December 2007		99,920	172,582	75,131	(198,610)	149,023

(c) Share capital

(i) Authorised and issued share capital

	2007		2006	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000**	**500,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**857,196**	**85,720**	857,196	85,720
Shares issued under the placing (note (iii))	**142,000**	**14,200**	–	–
At 31 December	**999,196**	**99,920**	857,196	85,720

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the special general meeting held on 20 November 2007, the Company's authorised ordinary share capital was increased to HK$500,000,000 by the creation of an additional 4,000,000,000 ordinary shares of HK$0.10 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

34. CAPITAL AND RESERVES (Continued)

(c) Share capital (Continued)

(iii) Shares issued under the placing

On 26 July 2007, the Company and a placing agent entered into a placing agreement whereby the Company placed through the placing agent an aggregate of 63,000,000 new ordinary shares of the Company of HK$0.10 each to not less than six placees at a price of HK$0.86 per share. The placing was completed on 7 August 2007. The net proceeds from the placing of approximately HK$52,076,000 were used for repayment of the Group's bank loans and for general working capital purpose.

On 10 October 2007, the Company entered into conditional subscription agreements with Mr. Lin Chun Kuei ("Mr. Lin"), Mr. Ng Kin Nam ("Mr. Ng") and Tian Wan Pte. Ltd. ("Tian Wan") (collectively, the "Subscribers") whereby the Subscribers agreed to subscribe for an aggregate of 79,000,000 new ordinary shares of the Company of HK$0.10 each at a price of HK$0.45 per share. The subscription was completed on 28 November 2007. The net proceeds from the Subscription of approximately HK$35,446,000 were used for repayment of the Group's bank loans and for general working capital purpose. Mr. Lin and Mr. Ng are directors of the Company, and Tian Wan is the Company's substantial shareholder which is owned by Mr. Andree Halim ("Mr. Halim"), a director of the Company, and the son of Mr. Halim.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981 of Bermuda.

(ii) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the share of the Company issued pursuant to the Group's reorganisation in 1997.

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make distributions out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries outside Hong Kong which is dealt with in accordance with the accounting policy set out in note 2(w).

34. CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) *Asset revaluation reserve*

The asset revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 2(j).

(v) *Statutory reserve*

In accordance with relevant rules and regulations in the PRC, all the PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can only be used to offset previous years' losses or to increase the capital of respective companies, provided that the balance after such issue is not less than 25% of its registered capital.

(e) Distributability of reserves

At 31 December 2007, the aggregate amount of reserve available for distribution to equity shareholders of the Company was nil (2006: HK$49,953,000 representing contributed surplus of approximately HK$75,131,000 less accumulated losses of approximately HK$25,178,000).

(f) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debts (which include bank loans and overdrafts, other loans and other financial liabilities), cash and cash equivalents and equity attributable to equity shareholders of the Company (which comprises issued share capital and reserves).

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, apart from the information as disclosed in note 28(b).

The directors review the capital structure on a regular basis to ensure the Group compliance with the requirements and consider the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues, raising new debts, the redemption of existing debts or selling assets to reduce debts. The Group's overall strategy remains unchanged from prior years.

35. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries during the year ended 31 December 2006

In August 2006, the Group disposed of two subsidiaries, namely Heissner AG and Progress LA, which were engaged in the operation of outdoor decoration to an independent third party for a consideration to be satisfied by a financial asset at fair value through profit or loss of approximately HK$20,460,000 (note 20(b)) and for unlisted equity securities outside Hong Kong of approximately HK$8,420,000.

35. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Disposal of subsidiaries during the year ended 31 December 2006 (Continued)

The cash flows and the net assets of subsidiaries disposed of are provided below:

	2006 HK$'000
Net assets disposed of:	
Property, plant and equipment	68,628
Goodwill (note 17)	457
Available-for-sale financial assets/investments securities	229
Inventories	75,560
Accounts receivable	29,684
Prepayments, deposits and other receivables	19,458
Deferred tax assets	11,236
Cash and cash equivalents	1,669
Bank loans	(95,902)
Accounts and bills payables	(14,944)
Other payables and accruals	(51,095)
Minority interests (note 34(a))	(1,099)
	43,881
Expenses incurred by the Group on the disposal of subsidiaries	811
Exchange reserve released upon disposal of subsidiaries (note 34(a))	2,261
Asset revaluation reserve released upon disposal of subsidiaries (note 34(a))	(3,115)
Loss on disposal of subsidiaries, net	(14,958)
	28,880
Satisfied by:	
Cash	–
Financial asset at fair value through profit or loss	20,460
Available-for-sale financial assets	8,420
	28,880

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

	2006 HK$'000
Cash and cash equivalents disposed of	1,669
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,669

The subsidiaries disposed of during the year ended 31 December 2006 contributed approximately HK$225,562,000 to the Group's turnover and a profit of approximately HK$20,075,000 to profit attributable to equity shareholders of the Company for that year.

36. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's trade and other receivables and deposits with banks.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within three to six months from the date of billing. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful debts account are within management's expectation.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 20.6% (2006: 21.6%) and 51.8% (2006: 45.9%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the United States of America and Europe.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 38(a), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 38(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

The Group limits its exposure to credit risk by placing deposits with financial institutions with no recent history of default. Management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2007, the Group has no significant concentration of credit risk on deposits with banks.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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 managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2007					2006				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	142,893	142,893	142,893	–	–	131,862	131,862	131,862	–	–
Bank loans and overdrafts	224,545	242,518	224,022	2,977	15,519	248,953	266,594	261,139	5,455	–
Other loans, unsecured	9,852	10,000	10,000	–	–	–	–	–	–	–
Obligations under finance leases	320	330	330			2,020	2,141	1,811	330	–
	377,610	395,741	377,245	2,977	15,519	382,835	400,597	394,812	5,785	–

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The Company

	2007			2006		
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Trade and other payables	**9,266**	**9,266**	**9,266**	58	58	58

As at 31 December 2007, the maximum gross nominal value of outstanding forward foreign exchange contracts held by the Group was approximately HK$6,240,000 (2006: Nil). The table below analyses the Group's outstanding forward foreign exchange contracts as at 31 December that would be settled on a gross basis into relevant maturity buckets based on their remaining contractual maturity dates. The amounts disclosed in the table are contractual undiscounted cash flows, which are different from the carrying amount (i.e. market value) in the consolidated balance sheet.

The Group

	2007		**2006**	
	Total contractual undiscounted cash flow HK$'000	**Within 1 year or on demand HK$'000**	Total Contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Forward foreign exchange contracts				
– outflows	**6,240**	**6,240**	–	–
– inflows	**6,180**	**6,180**	–	–

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits, other loan and bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. Borrowings at fixed rate are insensitive to any change in market rates. A change in interest rates at the balance sheet date would not affect profit or loss. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the balance sheet date.

	The Group				The Company			
	2007		2006		**2007**		2006	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000	**Effective interest rate %**	**HK$'000**	Effective interest rate %	HK$'000
Net fixed rate borrowings:								
Bank loans	**5.86-9.85%**	**84,564**	5.12-9.85%	63,000	**–**	**–**	–	–
Other loan, unsecured	**9.5%**	**9,852**	–	–	**–**	**–**	–	–
Obligations under finance leases	**9.85%**	**320**	9.85%	2,020	**–**	**–**	–	–
Less: bank deposits	**2.88%**	**(16,066)**	2.25%	(8,110)	**–**	**–**	2.25%	(3,110)
		78,670		56,910		**–**		(3,110)
Variable rate borrowings:								
Bank overdrafts	**7.50-9.75%**	**5,755**	6.75-9.5%	6,492	**–**	**–**	–	–
Bank loans	**5.30-10.25%**	**134,226**	5.00-8.50%	179,461	**–**	**–**	–	–
Less: cash at banks and on hand	**0.7%-1.5%**	**(26,187)**	0.7%-1.4%	(20,683)	**–**	**(9,548)**	–	(25)
		113,794		165,270		**(9,548)**		(25)
Total net borrowings		**192,464**		222,180		**(9,548)**		(3,135)
Net fixed rate borrowings as a percentage of total net borrowings		**40.88%**		25.61%		**–%**		99%

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK$1,137,000 (2006: HK$1,652,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(d) Currency risk

The Group is exposed to currency risk as certain cash and cash equivalents, trade and other receivables, trade and other payables primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Renminbi and Australian dollars.

At 31 December 2007, the Group had forward foreign exchange contracts. Changes in the fair value of forward foreign exchange contracts are recognised in income statement. The net fair value of forward foreign exchange contracts at 31 December 2007 was approximately HK$2,113,000 (2006: Nil) recognised as derivative financial instruments.

The Group ensures that the exposure on recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2007				2006			
	United States Dollars '000	**Euros '000**	**Renminbi '000**	**Australian Dollars '000**	United States Dollars '000	Euros '000	Renminbi '000	Australian Dollars '000
Trade and other receivables	**7,732**	**1,900**	**8,043**	**318**	5,222	–	54,813	73
Cash and cash equivalents	**1,107**	**3**	**6,451**	**10**	2,538	3	2,067	307
Bank loans and overdrafts	**(738)**	**–**	**–**	**–**	(1,253)	–	–	–
Trade and other payables	**(2,603)**	**–**	**(47,060)**	**(594)**	(2,015)	–	(71,516)	–
Derivative financial instruments	**(800)**	**–**	**3,618**	**399**	–	–	–	–
Overall net exposure	**4,698**	**1,903**	**(28,948)**	**133**	4,492	3	(14,636)	380

36. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	2007 United States Dollars '000	2006 United States Dollars '000
Cash and cash equivalents	**5**	3
Trade and other payables	**4**	–
Overall net exposure	**9**	3

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. There is no change in other components of consolidated equity.

The Group

	2007		2006	
	Increase/ (decrease) in foreign exchange rates %	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates %	Effect on loss after tax and accumulated losses HK$'000
United States Dollars	**1**	**(8)**	1	9
	(1)	**8**	(1)	(9)
Euros	**1**	**1,201**	1	1
	(1)	**(1,201)**	(1)	(1)
Renminbi	**1**	**(93)**	1	(4)
	(1)	**93**	(1)	4
Australian Dollars	**1**	**(36)**	1	6
	(1)	**36**	(1)	(6)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

37. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Contracted		
– Construction of buildings	**15,978**	15,341

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within 1 year	**5,879**	4,761
After 1 year but within 5 years	**16,143**	13,392
After 5 years	**36,977**	38,995
	58,999	57,148

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to six years. The leases did not include extension options. None of the leases includes contingent rentals.

(c) Forward foreign exchange contracts

At 31 December 2007, the Group had outstanding forward foreign exchange contracts to (i) buy RMB3,618,000 (2006: Nil) at various rates totalling approximately US$500,000 (equivalent to approximately HK$3,900,000) and (ii) buy AUD399,000 (2006: Nil) at a rate totalling approximately US$300,000 (equivalent to approximately HK$2,340,000).

38. CONTINGENT LIABILITIES

(a) Financial guarantees issued

As at the balance sheet date, the Company has issued single guarantees to the extent of approximately HK$194,203,000 (2006: HK$207,137,000) to banks in respect of banking facilities granted to its subsidiaries.

The Company is also one of the entities covered by cross guarantee arrangement issued by the Company and its subsidiaries to the extent of approximately HK$177,100,000 (2006: HK$176,665,000) to banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the banks which are the beneficiary of the guarantee.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the single guarantees issued is the outstanding amount of the facility drawn down by the subsidiaries of approximately HK$100,920,000 (2006: HK$143,810,000). The maximum liability of the Company at the balance sheet date under the cross guarantees is the amount of the facilities drawn down by all the subsidiaries that are covered by the cross guarantee, being HK$52,236,000 (2006: HK$66,046,000).

Deferred income in respect of guarantees issued is disclosed in note 26.

(b) Long service payments

As at the balance sheet date, a number of the current employees of the Group have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance. Under the said ordinance, in the event that their employment is terminated under the below-listed circumstances as stipulated in the Hong Kong Employment Ordinance, an employer should pay long service payment when an employee who has been employed under a continuous contract for no less than five years:

(i) is dismissed by reason other than serious misconduct or redundancy;

(ii) is certified by a registered medical practitioner as permanently unfit for the present job and the employee resigns;

(iii) is aged 65 or above and the employee resigns; or

(iv) dies in service.

As at the balance sheet date, the directors consider it is not probable that the employment of the employees eligible for long service payments under the said ordinance will be terminated under the above-mentioned circumstances and it is not probable that the Group will pay any long service payments to such employees. The maximum liability of the Group at the balance sheet date in respect of possible long service payments to the employees under the said ordinance is approximately HK$363,000 (2006: HK$491,000).

39. LITIGATION

During the years ended 31 December 2006 and 2007, the Group has the following litigations:

– On 25 September 2006, Peaktop Investment Holdings (B.V.I.) Limited ("Peaktop BVI") which is a non-wholly owned subsidiary of the Group commenced a civil action in a district court in the United States of America ("USA") against certain former directors of Peaktop Technologies (USA) Hong Kong Limited ("PTTHK"), a minority equity holder of PTTHK, an investee company of the Group and an independent third party (collectively, the "A Defendants"), that the A Defendants are alleged to have conducted unfair competition, misappropriation of confidential and proprietary information that belongs to the Group, and breach of fiduciary duties.

– On 27 September 2006, Peaktop BVI and PTTHK commenced an action against the A Defendants at the High Court of Hong Kong Special Administrative Region ("HKSAR") for, among others, demanding an injunction to the A Defendants from using confidential information of PTTHK and damages from the A Defendants.

– On 9 October 2006, an investee company of the Group, one of the A Defendants, commenced a civil action in a district of the USA against the Company, a subsidiary of the Company, a chairman of the Company and others (collectively, the "B Defendants") under allegation that, among others, the B Defendants breached their fiduciary duties and disparagement made to the investee company. The investee company of the Group claimed damages from the B Defendants.

– On 22 November 2006, two former directors of PTTHK, who are also two of the A Defendants, applied to the High Court of the HKSAR for a court order to give such former directors an immediate inspection of books and records of the PTTHK.

– On 22 February 2007, the minority equity holder of PTTHK, who is also one of the A Defendants, applied to the High Court of HKSAR to grant a winding-up order under section 177(l)(f) of the Hong Kong Companies Ordinance to wind-up PTTHK.

– On 3 April 2007, the minority equity holder of PTTHK, who is also one of the A Defendants, commenced a legal action in the district court of the USA against the Company, a subsidiary of the Company and an independent third party (collectively, the "C Defendants") to the Company under allegations of trademark infringement and unfair competition conducted by the C Defendants.

On 31 December 2007, all the above mentioned plaintiffs and defendants entered in a "Settlement Agreement And Mutual Release" whereby A Defendants agreed to pay the Group approximately HK$7,771,000 as compensation and all parties consented the settlement of all litigations. As such, all parties terminated all litigations already initiated.

The Group recognised the compensation of approximately HK$7,771,000 as other revenue (note 5) in the consolidated income statement for the year ended 31 December 2007, which was also included in trade and other receivables in note 23. The compensation of approximately HK$7,771,000 was received by the Group in March 2008.

(Expressed in Hong Kong dollars)

40. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the years ended 31 December 2007 and 2006, the directors consider that the following are related parties of the Group.

Name of party	Relationship with the Group
Geoglobal Partners, LLC ("Geoglobal")	A minority equity holder of the subsidiaries, Peaktop Technologies (USA) Hong Kong Limited and Peaktop Technologies (USA), Inc.
Tian Wan Pte. Ltd. ("Tian Wan")	A substantial shareholder of the Company. Tian Wan is owned by Mr. Andree Halim, a director of the Company, and Mr. Daniel Halim, who is the son of Mr. Andree Halim.
Heissner AG	An investee company, in which the Group holds 18.1% equity interest since 1 September 2006.
Peaktop Europe GmbH ("Peaktop Europe")	A subsidiary of Heissner AG.

(i) *Placing of shares*

During the year ended 31 December 2007, the Company issued an aggregate of 79,000,000 (2006: Nil) new ordinary shares of the Company to Mr. Lin Chun Kuei ("Mr. Lin"), Mr. Ng Kin Nam ("Mr. Ng") and Tian Wan for gross proceeds of approximately HK$35,550,000 (2006: Nil). Each of Mr. Lin, Mr. Ng and Tian Wan subscribed for 18,100,000, 10,000,000, and 50,900,000 respectively new ordinary shares of the Company. The Company received gross proceeds from Mr. Lin, Mr. Ng and Tian Wan of approximately HK$8,145,000, HK$4,500,000 and HK$22,905,000 respectively. Further details are set out in note 34(c)(iii).

(ii) *Sales of inventories to investee companies*

During the year ended 31 December 2007, the Group sold outdoor decoration and indoor decoration products to Heissner AG and Peaktop Europe amounted to approximately HK$19,396,000 (for the period from 1 September 2006 to 31 December 2006: HK$5,170,000) and nil (for the period from 1 September 2006 to 31 December 2006: HK$341,000) respectively.

The balance due from Heissner AG as at 31 December 2007 was included in amount due from an investee company in note 23 was approximately HK$22,633,000 (2006: HK$26,987,000). There is no impairment provision on the amount due from Heissner AG as at 31 December 2007 (2006: Nil).

The balance due from Peaktop Europe as at 31 December 2007 was nil (2006: Nil).

(iii) *Purchase of raw materials*

During the year ended 31 December 2007, the Group purchased raw materials from Heissner AG amounted to approximately HK$361,000 (2006: Nil). As at 31 December 2007, there is no outstanding balance due to Heissner AG (2006: Nil).

(iv) *Sales commission*

Pursuant to an agreement dated 9 January 2004 (the "Agreement") entered into between the Group and Geoglobal, the Group and Geoglobal agreed to share the net profit on those sales introduced by Geoglobal in accordance with the Agreement. During the year, the Group charged to the income statement of sales commission amounted to nil (2006: HK$78,645,000). The accrued sales commission payable to Geoglobal amounting to HK$189,000 (2006: HK$189,000) as at 31 December 2007 was included in accrued charges in note 26. The amount is unsecured, interest-free and repayable on demand. No sales was introduced by Geoglobal to the Group in 2007.

40. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) During the years ended 31 December 2007 and 2006, the directors consider that the following are related parties of the Group. **(Continued)**

(v) *Product design and research*

During the year ended 31 December 2006, the Group paid approximately HK$140,400 of product design and research expenses to a company owned by Mr. Graeme Stanley Pope, a former director of the Company until 9 March 2006, for the development of new products.

(vi) *Guarantee*

During the year, Mr. Lin Chun Kuei and Mr. Li Chien Kuan, directors of the Company, issued personal guarantees to secure other loan extended to a subsidiary to the extent of approximately HK$10,000,000 (2006: Nil).

During the year, Mr. Lin Chuen Kuen, a director of the Company, issued personal guarantee to secure bank loan extended to a subsidiary to the extent of approximately HK$11,657,000 (2006: HK$11,685,000).

The directors are of the opinion that the above related party transactions, excluding item (vi) above, were conducted on normal commercial terms and in the ordinary course of business.

(b) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2007 **HK$'000**	2006 HK$'000
Short-term employee benefits	**8,317**	9,609
Post-employment benefits	**74**	77
	8,391	9,686

Total remuneration is included in "staff costs" (see note 6(b)).

(c) **Financing arrangements**

	Amounts owed to related parties	
	As at 31 December	
	2007 **HK$'000**	2006 HK$'000
Amount due to a director	**2,000**	–
Amount due to an ex-director	**2,066**	–
Amount due to a minority equity holder	**189**	189
Amount due to a substantial shareholder	**3,000**	–
	7,255	189

40. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Financing arrangements (Continued)

Notes:

(i) The outstanding balances with these related parties are unsecured, interest-free and repayable on demand. The amounts due to related parties are included in "trade and other payables" (note 26).

(ii) Details of the advances from and repayments to these related parties during the year are analysed as follows:

	2007	
	Advance	**Repayment**
	HK$'000	**HK$'000**
A director	**17,902**	**15,902**
An ex-director	**10,730**	**8,664**
A substantial shareholder	**15,000**	**12,000**
	43,632	**36,566**

Details of new advances and repayments during the year are also disclosed in the cash flow statement.

41. COMPARATIVE FIGURES

Certain comparative figures have been restated and reclassified to conform with the current year's presentation.

As a result of adopting HKFRS 7, Financial Instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 3.

42. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment, prepaid lease payments and intangible assets

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

42. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Key sources of estimation uncertainty (Continued)

(ii) Impairment of receivables

The Group maintains impairment allowance for doubtful debts accounts based upon evaluation of the recoverability of the accounts receivable and other receivables, where applicable, at each balance sheet date. The estimates are based on the ageing of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Income taxes and deferred taxation

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

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

(iv) Contingencies

Periodically, the Group assesses potential liabilities related to any lawsuits or claims brought against the Group or any asserted claims. Although it is typically very difficult to determine the timing and ultimate outcome of such actions, the Group uses its best judgement to determine if it is probable that it will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In accordance with HKAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Group accrues a liability when it believes a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigations, although the Group believes that the estimates and judgements are reasonable, it is possible that certain matters may have to be resolved for amounts materially different from any estimated provisions or previous disclosures.

(b) Critical accounting judgement in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Going Concern

As disclosed in note 2(b), the directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks in the next twelve months to enable the Group to operate as a going concern. This conclusion is arrived at after reviewing the cash flow forecast prepared by the Group's management and taking into account the expected outcome of discussions with its banks. Any significant deviations from the assumptions adopted by management in preparing the cash flows forecast of the Group and discontinuation of bank facilities would affect the conclusion that the Group is able to continue as going concern.

(Expressed in Hong Kong dollars)

43. NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group and independent third parties entered into agreements to dispose of the Group's interest in certain subsidiaries in Vietnam, Hong Kong and the PRC at an aggregate consideration of approximately HK$237,322,000, of which the directors expect approximately HK$96,275,000 to be receivable in 2008 and approximately HK$141,047,000 to be receivable after 2008:

(a) Subsequent to the balance sheet date on 30 April 2008, the Group and an independent third party entered into an agreement that the Group would dispose of its 100% equity interest in Peaktop (Vietnam) Limited, a subsidiary incorporated in Vietnam, for a consideration of US$2,800,000 (equivalent to approximately HK$21,759,000), which is expected to be receivable in 2008.

(b) Subsequent to the balance sheet date on 1 May 2008, the Group and another independent third party entered into an agreement that the Group would dispose of its 100% equity interest in Peaktop Technologies Limited ("PTL"), a subsidiary incorporated in Hong Kong, for a consideration of RMB202,500,000 (equivalent to approximately HK$215,563,000), of which approximately HK$74,516,000 is expected to be receivable in 2008 and approximately HK$141,047,000 to be receivable after 2008. PTL holds 75% equity interest in Shenzhen Yuansheng Light Industrial Products Co., Ltd., a subsidiary established in the PRC.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2007 and which have not been adopted in these financial statements.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

GROUP PROPERTIES

31 December 2007

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Unit 1606, 16 Floor Tower III Enterprise Square No 9 Sheung Yuet Road Kowloon Bay Kowloon Hong Kong	Office building	Medium-term lease	100%