Notes to Financial Statements

31 December 2006

1. CORPORATE INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Group was principally engaged in the manufacture and sale of notebook computer casings.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Group Reorganisation

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies then comprising the Group on 17 June 2005 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Best Alliance Holding Inc., which was the then intermediate holding company of the subsidiaries comprising the Group, in consideration of and in exchange for the allotment and issue of 52,599,999 shares of HK$0.1 each in the share capital of the Company, credited as fully paid, to the former shareholders of Best Alliance Holding Inc.

Further details of the Group Reorganisation are set out in the Company's prospectus dated 25 October 2005.

The shares of the Company were listed on the Main Board of the Stock Exchange on 3 November 2005.

Basis of Presentation and Consolidation

The consolidated financial statements in respect of the year ended 31 December 2005 have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial year presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the year ended 31 December 2005 include the results of the Company and its subsidiaries with effect from 1 January 2005 or since their respective dates of incorporation/registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements in respect of the year ended 31 December 2005 prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

The consolidated financial statements in respect of the year ended 31 December 2006 include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The acquisition of subsidiaries during the year ended 31 December 2006 has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

Basis of Presentation and Consolidation *(Continued)*

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

3.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the Cost of Business Combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of Non-financial Assets other than Goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required, (other than inventories, deferred tax assets and financial assets) the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of Non-financial Assets other than Goodwill *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the lease terms or 5 to 10 years
Machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, Plant and Equipment and Depreciation *(Continued)*

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other items of property, plant and equipment under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

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

Financial Liabilities at Amortised Cost (including interest-bearing borrowings)

Financial liabilities including trade and other payables and interest-bearing borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income Tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee Benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the relevant government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee Benefits *(Continued)*

Pension schemes (Continued)

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees employed by the Group's subsidiary in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share-based payment transactions

The Company operates a Pre-IPO share option scheme, a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 31 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee Benefits *(Continued)*

Share-based payment transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Foreign Currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related Parties

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

(a) the party, directly or indirectly through one or more intermediaries:

 (i) controls, is controlled by, or is under common control with, the Group;

 (ii) has an interest in the Group that gives it significant influence over the Group; or

 (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

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

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

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums for land under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and Other Financial Assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets, after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available-for-sale or are not classified in the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and Other Financial Assets *(Continued)*

Available-for-sale financial assets (Continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates with the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effect interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of Financial Assets *(Continued)*

Assets carried at amortised cost (Continued)

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of Financial Assets *(Continued)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Cash and Cash Equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue Recognition

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

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

(b) from the rendering of services, when the services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative Financial Instruments

The Group uses forward currency contracts to reduce its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly gains or losses arising from changes in fair value on derivatives are taken directly to the income statement for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

4. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation Uncertainty

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

Recognition of share-based compensation expenses

As detailed in note 31(c) to the financial statements, the Company has granted share options to certain employees of the Group. The directors have used an external valuer who has applied the Black-Scholes option pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimation of the parameters for applying the Black-Scholes option pricing model, such as risk-free interest rate, dividend yield, expected volatility and turnover rate of grantees, is required to be made.

The fair value of options granted for the year ended 31 December 2006 determined using the Black-Scholes option pricing model was approximately HK$37,034,000.

Write-down of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the periods in which such estimate is changed.

The carrying amount of inventories as at 31 December 2006 was HK$654,646,000 (2005: HK$764,963,000).

5. SEGMENT INFORMATION

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

(a) Business Segments

The Group was principally engaged in the manufacture and sale of notebook computer casings. Therefore, no further business segment analysis is presented.

(b) Geographical Segments

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

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Segment revenue from external customers:

	2006	2005
	HK$'000	*HK$'000*
Mainland China	**3,139,955**	2,415,718
The Republic of China (the "ROC")	**414,601**	244,315
Others	**3,726**	11,765
	3,558,282	2,671,798

Segment assets:

	2006	2005
	HK$'000	*HK$'000*
Mainland China	**3,570,329**	3,180,921
The ROC	**489,648**	290,873
Others	**15,054**	132,371
	4,075,031	3,604,165

Segment capital expenditure:

	2006	2005
	HK$'000	*HK$'000*
Mainland China	**372,759**	385,942
The ROC	**2,732**	909
Others	**2**	25
	375,493	386,876

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax, business tax and government surcharges, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,558,282**	2,671,798
Other income		
Interest income	**6,980**	2,245
Subcontracting fee income	**1,448**	2,490
Sale of scrap materials	**17,950**	10,916
Sale of used moulds	**–**	1,645
Subsidy income	**–**	1,671
Dividend income	**982**	–
Excess over the cost of acquisition of interest in an associate	**1,625**	–
Others	**5,787**	1,655
	34,772	20,622
Gains		
Exchange gains, net	**33,623**	25,179
Gain on disposal of available-for-sale investment	**16,397**	–
	50,020	25,179
	84,792	45,801

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable:		
Within five years	**99,026**	59,896
Over five years	**28**	36
Total interest	**99,054**	59,932

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		2006	2005
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**3,023,051**	2,176,868
Auditors' remuneration		**2,300**	1,800
Depreciation	*15*	**129,524**	91,634
Amortisation of lease premium for land	*16*	**648**	357
Minimum lease payments under operating leases:			
Land and buildings		**4,733**	3,763
Motor vehicles		**2,735**	2,113
Provision for slow-moving and obsolete inventories*		**9,367**	23,136
Employee benefits expense (excluding directors' remuneration – *note 9*):			
Wages and salaries, bonuses, allowances and welfare		**451,321**	383,167
Employee share-based compensation expenses		**3,112**	2,850
Pension scheme contributions		**13,871**	11,149
		468,304	397,166
Government subsidy		**–**	(1,671)
Loss on disposal of items of property, plant and equipment, net		**218**	813

* The provision for slow-moving and obsolete inventories is included in "Cost of sales" on the face of the consolidated income statement.

9. DIRECTORS' REMUNERATION

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**489**	210
Other emoluments:		
Salaries, allowances and benefits in kind	**3,526**	2,783
Employee share-based compensation expenses	**1,356**	1,006
Pension scheme contributions	**12**	12
	4,894	3,801
	5,383	4,011

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31(c) to the financial statements. The fair value of such options which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

During the prior year, certain directors were granted options under the Pre-IPO share option scheme and shares under the share award plan in respect of their services to the Group, further details of which are set out in note 31(a) and 31(b) to the financial statements, respectively. The fair value of such options and shares which has been recognised in the income statement over the vesting period, was determined as at the date of the grant and the amount included in the financial statements for the prior year was included in the above directors' remuneration disclosures.

9. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of each of the directors for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employee share-based compensation expenses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Cheng Li-Yu	–	623	–	–	623
Mr. Cheng Li-Yen	–	561	–	–	561
Mr. Huang Kuo-Kuang	–	561	369	–	930
Mr. Hsieh Wan-Fu	–	379	47	–	426
Mr, Lo Jung-Te	–	417	47	–	464
Mr. Tsui Yung Kwok	–	985	893	12	1,890
Mr. Horng Tsai-Chin	–	–	–	–	–
Mr. Yu Chwo-Ming	162	–	–	–	162
Mr. Tsai Wen-Yu	162	–	–	–	162
Mr. Yip Wai Ming	107	–	–	–	107
Mr. Lo Ching Pong	58	–	–	–	58
	489	3,526	1,356	12	5,383

The remuneration of each of the directors for the year ended 31 December 2005 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employee share-based compensation expenses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Cheng Li-Yu	–	662	–	–	662
Mr. Cheng Li-Yen	–	597	–	–	597
Mr. Huang Kuo-Kuang	–	601	446	–	1,047
Mr. Tsui Yung Kwok	–	923	560	12	1,495
Mr. Horng Tsai-Chin	–	–	–	–	–
Mr. Yu Chwo-Ming	70	–	–	–	70
Mr. Tsai Wen-Yu	70	–	–	–	70
Mr. Lo Ching Pong	70	–	–	–	70
	210	2,783	1,006	12	4,011

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,171**	1,619
Bonuses	**199**	134
Employee share-based compensation expenses	**749**	713
Pension scheme contributions	**28**	9
	2,147	2,475

The remuneration of the three non-director, highest paid employees for the current and prior years fell within the Nil to HK$1,000,000 band.

During the year, share options were granted under the share option scheme of the Company to the three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31(c) to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

During the prior year, shares were granted under the share award plan of the Company to the three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31(b) to the financial statements. The fair value of such shares, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above non-director, highest paid employees' remuneration disclosures.

11. TAX

Hong Kong profits tax has not been provided, as the Group did not have any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Provision for the year:		
Mainland China	**22,359**	11,770
Overseas	**16,811**	11,681
Tax refund	**(7,259)**	(4,719)
Deferred tax – *Note 19*	**(1,235)**	(1,740)
Total tax charge for the year	**30,676**	16,992

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

Group – 2006

	Hong Kong		**Mainland China**		**Overseas**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	**(12,823)**		**178,638**		**66,008**		**231,823**	
Tax at the statutory tax rate	**(2,244)**	**17.5**	**58,951**	**33.0**	**16,502**	**25.0**	**73,209**	**31.6**
Preferential tax rates	**–**	**–**	**(36,901)**	**(20.7)**	**–**	**–**	**(36,901)**	**(16.0)**
Income not subject to tax	**–**	**–**	**(243)**	**(0.1)**	**(778)**	**(1.2)**	**(1,021)**	**(0.4)**
Expenses not deductible for tax	**2,244**	**(17.5)**	**51**	**–**	**353**	**0.6**	**2,648**	**1.1**
Tax refund	**–**	**–**	**(7,259)**	**(4.1)**	**–**	**–**	**(7,259)**	**(3.1)**
Tax charge at the Group's effective rate	**–**	**–**	**14,599**	**8.1**	**16,077**	**24.4**	**30,676**	**13.2**

11. TAX *(Continued)*

Group – 2005

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before tax	(8,098)		167,786		49,399		209,087	
Tax at the statutory tax rate	(1,417)	17.5	55,369	33.0	12,350	25.0	66,302	31.7
Preferential tax rates	–	–	(45,955)	(27.4)	–	–	(45,955)	(22.0)
Income not subject to tax	–	–	–	–	(418)	(0.8)	(418)	(0.2)
Expenses not deductible for tax	1,417	(17.5)	146	0.1	219	0.4	1,782	0.9
Tax refund	–	–	(4,719)	(2.8)	–	–	(4,719)	(2.3)
Tax charge at the Group's effective rate	–	–	4,841	2.9	12,151	24.6	16,992	8.1

Pursuant to an approval document dated 28 December 2001 issued by the Tax Bureau of Wujiang City, the PRC (the "Tax Bureau"), Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as Everyday Computer is recognised as a foreign investment manufacturing enterprise. In addition, Everyday Computer is a foreign investment enterprise and is entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2002 and a 50% tax relief for the three years thereafter.

Pursuant to an approval document dated 13 April 2004 issued by the Tax Bureau, Suzhou Dazhi Communication Accessory Co., Ltd. ("Suzhou Dazhi"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as Suzhou Dazhi is also recognised as a foreign investment manufacturing enterprise. In addition, Suzhou Dazhi, also a foreign investment enterprise, is entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2003 and a 50% tax relief for the three years thereafter. However, pursuant to the relevant income tax laws and regulations in the PRC, Suzhou Dazhi elected to defer its entitlement of the tax exemption to the year commencing 1 January 2004 as Suzhou Dazhi had commenced its operations for less than six months in its first year of entitlement.

Ju Teng Electronics (Shanghai) Co., Ltd. ("Ju Teng Electronics"), which is located and operates in Shanghai Songjiang Export Processing Zone, is subject to a preferential tax rate of 15%. Ju Teng Electronics is also a foreign investment enterprise and is therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2003 and a 50% tax relief for the three years thereafter.

The share of tax attributable to the associate amounting to HK$478,000 (2005: Nil) is included in "Share of profit of an associate" on the face of the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a loss of HK$9,059,000 (2005: HK$5,815,000) which has been dealt with in the financial statements of the Company (note 32(b)).

13. DIVIDEND

No dividend has been paid or declared by the Company during the year.

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$202,942,000 (2005: HK$192,095,000) and the 1,000,000,000 (2005: weighted average number of 782,027,397) shares in issue during the year. The weighted average number of shares in issue for the prior year was calculated on the assumption that the Group Reorganisation and the capitalisation issue of shares as further detailed in note 30 had been completed on 1 January 2005.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$202,942,000 (2005: HK$192,095,000). The weighted average number of shares used in the calculation is the 1,000,000,000 (2005: weighted average number of 782,027,397) shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 746,913 (2005: 66,953) shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential shares into shares.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Leasehold improvements	Machinery	Furniture, Fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
As at 1 January 2005	296,636	7,445	544,026	35,050	8,328	44,300	935,785
Additions	26,897	2,250	221,884	26,007	2,611	107,227	386,876
Transfers	137,987	–	5,009	5,047	559	(148,602)	–
Disposals	–	(5,673)	(3,636)	(722)	(374)	(2,534)	(12,939)
Exchange realignment	5,592	135	10,052	669	160	620	17,228
As at 31 December 2005 and 1 January 2006	467,112	4,157	777,335	66,051	11,284	1,011	1,326,950
Additions	23,007	–	271,600	27,905	617	52,364	375,493
Acquisition of subsidiaries *(note 33)*	–	–	–	–	315	32,951	33,266
Transfers	59,549	–	9,636	8,920	–	(78,105)	–
Disposals	(8)	(1,047)	(793)	(267)	(667)	(1,004)	(3,786)
Exchange realignment	16,943	128	21,370	10,214	406	29	49,090
As at 31 December 2006	566,603	3,238	1,079,148	112,823	11,955	7,246	1,781,013
Accumulated depreciation:							
As at 1 January 2005	13,313	5,301	53,931	5,652	1,882	–	80,079
Provided during the year	16,381	1,111	63,530	8,628	1,984	–	91,634
Disposals	–	(5,315)	(569)	(204)	(252)	–	(6,340)
Exchange realignment	256	74	1,402	106	35	–	1,873
As at 31 December 2005 and 1 January 2006	29,950	1,171	118,294	14,182	3,649	–	167,246
Provided during the year	24,050	1,264	84,699	17,412	2,099	–	129,524
Disposals	(1)	–	(43)	(96)	(252)	–	(392)
Exchange realignment	1,102	37	1,931	2,529	129	–	5,728
As at 31 December 2006	55,101	2,472	204,881	34,027	5,625	–	302,106
Net book value:							
As at 31 December 2006	511,502	766	874,267	78,796	6,330	7,246	1,478,907
As at 31 December 2005	437,162	2,986	659,041	51,869	7,635	1,011	1,159,704

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

The Group's land and buildings were held under the following lease terms:

	2006	2005
	HK$'000	HK$'000
Freehold land outside Hong Kong	3,989	3,914
Buildings held under medium term leases outside Hong Kong	507,513	433,248
	511,502	437,162

At 31 December 2006, certain of the Group's land and buildings and machinery with an aggregate net book value of approximately HK$588,434,000 (2005: HK$740,177,000) were pledged to secure certain banking facilities granted to the Group (note 28).

16. LEASE PREMIUM FOR LAND

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	15,956	12,690
Addition during the year	–	3,623
Acquisition of subsidiaries *(note 33)*	6,875	–
Recognised during the year	(648)	(357)
Exchange realignment	306	–
Carrying amount at 31 December	22,489	15,956

The land of the Group was held under the medium term lease and was situated outside Hong Kong.

At 31 December 2006, certain of the Group's land with an aggregate net book value of approximately HK$15,530,000 (2005: HK$11,220,000) was pledged to secure certain banking facilities granted to the Group (note 28).

17. GOODWILL

Group

	HK$'000
Cost at 1 January 2006	–
Acquisition of a subsidiary *(note 33)*	**1,065**
Cost and carrying amount at 31 December 2006	**1,065**

18. INTEREST IN AN ASSOCIATE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**24,745**	–

The principal asset of the associate is its wholly-owned subsidiary, Chengyang Precision Mold (Kunshan) Company Limited ("Chengyang"), which is principally engaged in the manufacture and sale of moulds.

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Smart Success Enterprises Limited*	2,190,000 ordinary shares of US$1 each	Samoa	36.5	Investment holding

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statement:

	2006	2005
	HK$'000	*HK$'000*
Assets	**79,030**	–
Liabilities	**11,235**	–
Revenue	**42,017**	–
Profit	**10,395**	–

19. DEFERRED TAX ASSETS

Losses available for offset against future taxable profit:

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**3,913**	2,092
Deferred tax credited to the income statement during the year – *Note 11*	**1,235**	1,740
Exchange realignment	**148**	81
At end of year	**5,296**	3,913

The Group had tax losses arising in the PRC and the ROC of approximately HK$36,153,000 (2005: HK$29,469,000) and HK$9,744,000 (2005: HK$6,812,000), respectively, that are available for offset against future taxable profits of the subsidiaries in which the losses arose. Based on the financial projections of these subsidiaries prepared by the directors of the Company, the directors expected that these subsidiaries will have sufficient taxable profits generated in the future to utilise these tax losses and accordingly, deferred tax assets have been recognised.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**777,358**	777,358
Due from subsidiaries	**308,037**	192,343
Capital contribution in respect of share-based compensation	**1,356**	–
	1,086,751	969,701

The amounts advanced to the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Indirect	Principal activities
Best Alliance Holding Inc. ("Best Alliance")	British Virgin Islands ("BVI")	US$52,600,000 Ordinary	100%	–	Investment holding
Giant Glory International Limited	Samoa	US$49,777,419 Ordinary	–	100%	Investment holding and sale of notebook computer casings and related materials
Everyday Computer Components (Suzhou) Co., Ltd.*@	The PRC	US$35,000,000	–	100%	Manufacture and sale of notebook computer casings
Suzhou Dazhi Communication Accessory Co., Ltd.*@	The PRC	US$55,000,000	–	100%	Manufacture and sale of notebook computer casings
Jiu De International Limited	Samoa	US$12,800,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
Jiu Ding International Limited	Samoa	US$12,800,000 Ordinary	–	100%	Dormant
Sincere Joy Corporation	Samoa	US$1,000,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
Tri-Great International Limited	Samoa	US$1,000,000 Ordinary	–	100%	Sale of notebook computer casings
Applied Business Company Inc.	BVI	US$1,500,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Indirect	Principal activities
ICAN Business Limited	BVI	US$1,500,000 Ordinary	–	100%	Sale of notebook computer casings
Gi Li Co., Ltd.@	The ROC	NT$5,000,000 Ordinary	–	100%	Sale of notebook computer casings and related materials
Hempton International Limited#	Samoa	US$3,500,000 Ordinary	–	100%	Investment holding and sale of materials for the manufacture of notebook computer casings
Ju Teng Electronics (Shanghai) Co., Ltd.*@	The PRC	US$12,500,000	–	100%	Manufacture and sale of notebook computer casings
Grand Develop Investments Limited	Hong Kong	HK$1 Ordinary	–	100%	Provision of general administrative and support services
Mindforce Holdings Limited#	BVI	US$15,000,000	–	70%	Investment holding
WIS Precision (Kunshan) Co., Ltd.*#@	The PRC	US$15,000,000	–	100%	Manufacture and sale of notebook computer casings
Plentimark Limited	BVI	US$50,000	–	100%	Sale of materials for the manufacture of notebook computer casings
Dynamic Apex Macao Commercial Offshore Limited@	Macau	MOP$100,000	–	100%	Dormant

* Registered as wholly-foreign-owned enterprises under PRC law.

@ Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# Acquired during the year.

21. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Production materials	**272,098**	280,408
Work in progress	**262,540**	334,208
Finished goods	**107,527**	129,140
Moulds and consumable tools	**12,481**	21,207
	654,646	764,963

22. TRADE RECEIVABLES

The general credit terms of the Group range from 90 days to 120 days. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables and factored trade receivables as at the balance sheet date, based on the invoice date, is as follows:

Trade receivables

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 3 months	**712,595**	558,198
4 – 6 months	**212,986**	229,889
7 – 12 months	**8,789**	5,781
Over 1 year	**8,400**	3,662
	942,770	797,530

Factored trade receivables

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 3 months	**233,772**	312,337
4 – 6 months	**139,926**	188,618
7 – 12 months	**–**	1,112
	373,698	502,067

At 31 December 2006, certain subsidiaries of the Group had factored trade receivables of HK$373,698,000 (2005: HK$502,067,000) to banks on a without-recourse basis for cash. As the subsidiaries of the Group still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated balance sheet.

22. TRADE RECEIVABLES *(Continued)*

Factored trade receivables *(Continued)*

Included in the Group's trade receivables at the balance sheet date were amounts due from the following related companies, which are repayable on credit terms similar to those offered to the major customers of the Group.

		Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
San Li Company Limited ("San Li")	*37(a),(b)*	**491**	525
Ta Yu Metallic Company Limited ("Ta Yu Metallic")	*37(a),(b)*	**–**	3
Sunrise Plastic Injection Company Limited ("Sunrise")	*37(a),(b)*	**342**	2,017
San Changs Co., Ltd. ("San Changs")	*37(a),(b)*	**–**	110
		833	2,655

At 31 December 2005, certain of the Group's trade receivables amounting to HK$439,110,000 in aggregate, were pledged to secure certain banking facilities granted to the Group (note 28).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**22,221**	14,399	**222**	172
Deposits and other receivables	**130,867**	50,914	**21**	107
	153,088	65,313	**243**	279

24. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted equity investment, at fair value	**74,210**	–

During the year, the gross gain of the Group's available-for-sale investment recognised directly in equity amounted to HK$56,171,000 (2005: Nil).

24. AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

The above investment represents investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair value of the unlisted available-for-sale equity investment has been estimated based on the trading price on the over-the-counter market.

In the opinion of the Company's directors, the available-for-sale investment is expected to be realised within twelve months after the balance sheet date. Accordingly, the investment is classified as a current asset in the consolidated balance sheet.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**199,799**	237,109	**8,420**	129,339
Time deposits	**136,239**	20,583	**–**	–
	336,038	257,692	**8,420**	129,339
Less: Pledged bank balances and time deposits *(note)*	**(156,491)**	(30,993)	**–**	–
Cash and cash equivalents	**179,547**	226,699	**8,420**	129,339

Note: The pledged bank balances and time deposits as at 31 December 2006 included bank balance of HK$20,248,000 (2005: HK$10,410,000) relating to the settlement of factored trade receivables by a customer before the year end but not yet offset by the bank against the advances from factoring of the relevant trade receivables.

The Group's pledged bank balances and time deposits of HK$133,489,000 (2005: HK$18,435,000) were applied to secure certain banking facilities granted to the Group (note 28).

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. As at 31 December 2006, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in the PRC or the ROC amounted to approximately HK$34,878,000 (2005: HK$81,880,000).

26. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 3 months	**596,072**	511,356
4 – 6 months	**209,449**	91,062
7 – 12 months	**9,704**	19,424
Over 1 year	**4,577**	8,143
	819,802	629,985

The trade payables are non-interest-bearing and are normally settled on 90-120 day terms.

Included in the Group's trade and bills payables at the balance sheet date were amounts due to the following related companies and shareholders, which have credit terms similar to those offered by the Group's other major suppliers.

		Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
San Li	*37(a),(b)*	**7,996**	11,469
Ta Yu Metallic	*37(a),(b)*	**537**	277
Sunrise	*37(a),(b)*	**1,232**	877
San Changs	*37(a),(b)*	**87**	58
Southern Asia Management Limited ("Southern Asia")	*37(a),(b)*	**–**	1,261
Extrawell Developments Limited ("Extrawell")	*37(a),(b)*	**–**	533
Ever Grand Group Limited ("Ever Grand")	*37(a),(b)*	**–**	571
		9,852	15,046

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**241,400**	202,524	**–**	–
Accruals	**107,091**	86,613	**2,739**	2,053
	348,491	289,137	**2,739**	2,053

28. INTEREST-BEARING BANK BORROWINGS

Group

	2006			2005		
	Effective Interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**3.71 – 7.12**	**2007**	**386,296**	3.25 – 6.29	2006	269,496
Bank loans – unsecured	**4.65 – 6.29**	**2007**	**451,749**	3.55 – 5.54	2006	73,606
			838,045			343,102
Non-current						
Bank loans – secured	**3.71**	**2008 – 2014**	**2,056**	3.25 – 6.29	2007 – 2014	526,260
			840,101			869,362

	2006	2005
	HK$'000	*HK$'000*
Repayable:		
Within one year	**838,045**	343,102
In the second year	**323**	524,252
In the third to fifth years, inclusive	**983**	974
Beyond five years	**750**	1,034
	840,101	869,362

28. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) mortgages over the Group's land and buildings and machinery with an aggregate carrying amount of approximately HK$603,964,000 (2005: HK$751,397,000);

(ii) floating charges over certain of the Group's trade receivables of HK$439,110,000 in aggregate at 31 December 2005;

(iii) the pledge of certain of the Group's bank balances and time deposits amounting to HK$36,023,000 (2005: HK$18,435,000); and

(iv) corporate guarantee executed by the Company to the extent of HK$251,207,000 (2005: HK$526,196,000).

(b) The Group's bank loans with carrying amounts of HK$798,034,000 (2005: HK$829,596,000), and HK$29,865,000 (2005: HK$37,156,000) and HK$12,202,000 (2005: HK$2,610,000) are denominated in United States dollars ("US$"), RMB and NT$, respectively.

Other Interest Rate Information

	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans – secured	**231,690**	**156,662**	79,704	716,052
Bank loans – unsecured	**127,040**	**324,709**	–	73,606

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	2005
	HK$'000	*HK$'000*
Forward currency contracts	**8,079**	3,565

The carrying amount of forward currency contracts is the same as their fair value.

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rates fluctuations, which did not meet the criteria for hedge accounting. Changes in fair value of non-hedging currency derivatives, amounting to credit of HK$4,514,000 (2005: debit of HK$542,000) was recognised in the income statement during the year. The terms of these contracts are as follows:

At 31 December 2006

	Maturity	**Exchange rate**
Buy RMB214,000,000 (Sell US$)	17 January 2007 to 21 December 2007	7.4510 to 7.7380
Sell RMB214,000,000 (Buy US$)	18 January 2007 to 17 December 2007	7.6230 to 7.8035

At 31 December 2005

	Maturity	**Exchange rate**
Buy RMB318,380,000 (Sell US$)	19 January 2006 to 22 May 2006	7.8935 to 8.0255
Sell RMB322,092,000 (Buy US$)	20 January 2006 to 22 May 2006	8.0068 to 8.0987

30. SHARE CAPITAL

Shares

	2006 *HK$'000*	2005 *HK$'000*
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,000,000,000 shares of HK$0.1 each	**100,000**	100,000

There is no change in the Company's authorised and issued share capital during the current year. The following changes in the Company's authorised and issued share capital took place during the period from 12 July 2004 (date of incorporation) to 31 December 2005.

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

	Notes	Number of shares of HK$0.1 each	Nominal value of shares HK$'000
Authorised:			
Upon incorporation	(a)	52,600,000	5,260
Increase in authorised share capital	(b)	1,947,400,000	194,740
As at 31 December 2005 and 2006		2,000,000,000	200,000
Issued and fully paid:			
Allotted and issued fully paid on 15 July 2004	(c)	1	–
Allotted and issued fully paid as consideration for acquisition of Best Alliance	(d)	52,599,999	5,260
New issue of shares	(e)	260,000,000	26,000
Capitalisation issue of shares ("Capitalisation Issue")	(f)	687,400,000	68,740
As at 31 December 2005 and 2006		1,000,000,000	100,000

Notes:

(a) On 12 July 2004, the Company was incorporated with an authorised share capital of HK$5,260,000 divided into 52,600,000 shares of HK$0.1 each.

(b) Pursuant to a resolution passed on 6 October 2005, the authorised share capital of the Company was increased from HK$5,260,000 to HK$200,000,000 by the creation of 1,947,400,000 shares of HK$0.1 each, ranking pari passu in all respects with the existing share capital of the Company.

(c) On 15 July 2004, one share was allotted and issued fully paid at par.

(d) Under the Group Reorganisation, 52,599,999 shares of HK$0.1 each were allotted and issued fully paid by the Company as the consideration for the acquisition of the entire issued share capital of Best Alliance to the then shareholders of Best Alliance.

(e) On 3 November 2005, 260,000,000 shares of HK$0.1 each were issued at a price of HK$1.4 per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately HK$321,867,000 net of related expenses from the share offer.

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes: (Continued)

(f) Pursuant to the resolutions in writing passed by the then shareholders of the Company on 17 June 2005 and 6 October 2005, an amount of HK$68,740,000 standing to the credit of the share premium account of the Company was applied in paying up in full at par of 687,400,000 shares of HK$0.1 each for allotment and issue to the shareholders whose names appeared on the register of members of the Company at the close of business on 6 October 2005 in proportion to their then shareholdings in the Company.

Share Options

Details of the Company's Pre-IPO share option scheme, share option scheme and the share options granted are included in note 31 to the financial statements.

31. EQUITY COMPENSATION PLANS

(a) Pre-IPO Share Option Scheme

On 17 June 2005, the Company adopted a Pre-IPO share option scheme. On the same day, Pre-IPO share options were granted to Mr. Tsui Yung Kwok, a director of the Company, for subscribing 2,800,000 shares in the Company at an exercise price of HK$1.26 per share. The exercise period commences from 3 November 2006 and ends on and includes 16 June 2015.

The fair value of the Pre-IPO share options granted during the prior year was estimated at approximately HK$1,422,000, of which the Group recognised an expense of HK$862,000 (2005: HK$560,000) during the year ended 31 December 2006.

No Pre-IPO share option was exercised during the year.

(b) Share Award Plan

On 17 June 2005, the Company adopted a share award plan. On the same day, a total of 952,881 shares (before the Capitalisation Issue) in the Company were transferred to the trustee of the share award plan by Jiu Liang International Limited, a company beneficially owned by Southern Asia, Extrawell, Ever Grand and certain employees of the Group, at nil consideration, and a total of 12,452,669 shares was allotted and issued to the trustee of the share award plan pursuant to the Capitalisation Issue. On the same day, the Company awarded a total of 4,289,776 shares (after the Capitalisation Issue) to Mr. Huang Kuo-Kuang, a director of the Company, and certain employees of the Group under the share award plan, which had vested during the year. The shares awarded by the Company under the share award plan are accounted for as shared-based payments under HKFRS 2.

31. EQUITY COMPENSATION PLANS *(Continued)*

(b) Share Award Plan *(Continued)*

The fair value of the shares awarded during the prior year was estimated at approximately HK$5,325,000, of which the Group recognised an expense of HK$2,029,000 (2005: HK$3,296,000) during the year ended 31 December 2006.

(c) Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Group's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provides research, development or other technological support to the Group, the Group's shareholders, the adviser or consultants of the Group and participant who have contributed or may contribute to the development and growth of the Group. The Scheme became effective on 3 November 2005 and unless otherwise cancelled or amended, will remain in force for a period to 5 October 2015.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of the offer of the share options.

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

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

31. EQUITY COMPENSATION PLANS *(Continued)*

(c) Share Option Scheme *(Continued)*

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2006	Number of share options: Granted during the year	Number of share options: At 31 December 2006	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*	Price of the Company's shares at grant date of share options*** *HK$ per share*
Directors							
Mr. Hsieh Wan-Fu	–	500,000	500,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	–	500,000	500,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	–	500,000	500,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	1,500,000	1,500,000				
Mr. Huang Kuo-Kuang	–	1,000,000	1,000,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	–	1,000,000	1,000,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	–	1,000,000	1,000,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	3,000,000	3,000,000				
Mr. Lo Jung-Te	–	500,000	500,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	–	500,000	500,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	–	500,000	500,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	1,500,000	1,500,000				

31. EQUITY COMPENSATION PLANS *(Continued)*

(c) Share option scheme *(Continued)*

Name or category of participant	Number of share options: At 1 January 2006	Number of share options: Granted during the year	Number of share options: At 31 December 2006	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*	Price of the Company's shares at grant date of share options*** *HK$ per share*
Directors							
Mr. Tsui Yung Kwok							
	–	332,667	332,667	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	–	332,667	332,667	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	–	332,666	332,666	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	998,000	998,000				
Other employees							
In aggregate	–	14,334,000	14,334,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	–	14,334,000	14,334,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	–	14,334,000	14,334,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	43,002,000	43,002,000				
	–	50,000,000	50,000,000				

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The fair value of the share options granted during the year was HK$37,034,000 of which the Group recognised a share option expense of HK$1,577,000 during the year ended 31 December 2006.

31. EQUITY COMPENSATION PLANS *(Continued)*

(c) Share Option Scheme *(Continued)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2006:

Dividend yield (%)	0
Expected volatility (%)	52.18
Historical volatility (%)	51.94
Risk-free interest rate (%)	3.813 – 3.869
Weighted average expected life of option (year)	4.67
Weighted average share price (HK$)	1.56

The expected life of the options is based on the directors' estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 50,000,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 50,000,000 additional ordinary shares of the Company and additional share capital of HK$5,000,000 and share premium of HK$73,000,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 50,000,000 share options outstanding under the Scheme, which represented 5% of the Company's shares in issue as at that date.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former Group holding company acquired pursuant to the Group Reorganisation set out in note 2 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.

32. RESERVES *(Continued)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Arising from the Group Reorganisation		–	772,098	–	–	772,098
New issue of shares	30	338,000	–	–	–	338,000
Capitalisation issue of shares	30	(68,740)	–	–	–	(68,740)
Share issue expenses	30	(42,133)	–	–	–	(42,133)
Loss for the year	12	–	–	–	(5,815)	(5,815)
Share-based compensation arrangements	31	–	–	3,856	–	3,856
At 31 December 2005 and 1 January 2006		227,127	772,098	3,856	(5,815)	997,266
Loss for the year	12	–	–	–	(9,059)	(9,059)
Share-based compensation arrangements	31	–	–	4,468	–	4,468
At 31 December 2006		227,127	772,098	8,324	(14,874)	992,675

The Company's contributed surplus represents the excess of the fair value of the shares of the former Group holding company acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

33. BUSINESS COMBINATION

On 23 January 2006, the Group acquired a 70% interest in Mindforce Holdings Limited. Mindforce Holdings Limited, a company incorporated in the British Virgin Islands, has a wholly-owned PRC subsidiary, WIS Precision (Kunshan) Company Limited ("緯立資訊配件(昆山)有限公司"), which is principally engaged in the manufacture and sale of notebook computer casings and related products in the PRC. The consideration for the acquisition was in the form of cash of HK$38,875,000, of which HK$16,380,000 was paid in the prior year and recorded as prepayment in the prior year's consolidated balance sheet.

33. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of Mindforce Holdings Limited and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	15	33,266	33,266
Lease premium for land	16	6,875	6,875
Cash and cash equivalents		9,205	9,205
Prepayments, deposits and other receivables		7,264	7,264
Other payables and accruals		(2,596)	(2,596)
		54,014	54,014
Minority interests		(16,204)	
Goodwill on acquisition	17	1,065	
		38,875	
Satisfied by:			
Cash		22,495	
Prepayment		16,380	
		38,875	

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

	HK$'000
Cash consideration	(22,495)
Cash and cash equivalents acquired	9,205
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(13,290)

Since its acquisition, Mindforce Holdings Limited and its subsidiary contributed HK$19,306,000 to the Group's turnover and contributed a net loss of HK$5,986,000 to the consolidated profit for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year, there would have been no significant impact on the revenue and profit of the Group for the year.

34. CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

At the balance sheet date, the Company had provided corporate guarantees of approximately HK$971,506,000 (2005: HK$1,033,958,000) to banks in connection with banking facilities granted to its subsidiaries, which were utilised to the extent of approximately HK$476,331,000 (2005: HK$634,987,000).

35. OPERATING LEASE COMMITMENTS

The Group leases certain of its offices properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**6,487**	6,743
In the second to fifth years, inclusive	**7,797**	12,340
	14,284	19,083

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments as at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**3,157**	3,806
Machinery	**13,451**	5,766
Total capital commitments	**16,608**	9,572

At the balance sheet date, the Company did not have any significant commitments.

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	Notes	2006 HK$'000	2005 HK$'000
Purchase of production materials from:			
San Li (1)	(i)	**22,209**	22,418
Ta Yu Metallic (2)	(i)	**–**	1,800
Sunrise (3)	(i)	**755**	1,740
San Changs (4)	(i)	**126**	165
Purchase of moulds from:			
Ta Yu Metallic	(i)	**1,293**	–
Chengyang (5)	(i)	**3,608**	–
Sale of finished goods to:			
San Li	(ii)	**1,205**	854
Sunrise	(ii)	**1,413**	4,423
San Changs	(ii)	**–**	534
Technical assistance fees paid to:			
Southern Asia (1)	(iii)	**–**	7,122
Extrawell (6)	(iii)	**–**	2,928
Ever Grand (7)	(iii)	**–**	4,895
Technological support fees paid to:			
Sunrise	(iv)	**533**	–
Ta Yu Metallic	(iv)	**533**	–
San Li	(iv)	**1,065**	–
Rental expenses paid to:			
San Li Enterprises Company Limited (1)	(v)	**–**	39
Ms. Lin Mei-Li (8)	(v)	**72**	67
Mr. Cheng Li-Yu (9)	(v)	**32**	32

Notes:

(1) San Li, San Li Enterprises Company Limited and Southern Asia are controlled by Mr. Cheng Li-Yu, a director of the Company.

(2) Ta Yu Metallic is controlled by Mr. Horng Tsai-Chin, a former non-executive director of the Company.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes: (Continued)

(3) Sunrise is controlled by Mr. Cheng Li-Yen, a director of the Company.

(4) San Changs is controlled by Messrs. Cheng Li-Yu, Huang Kuo-Kuang, directors of the Company, and by Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu.

(5) Chengyang is a principal subsidiary of the Group's associate.

(6) Mr. Horng Tsai-Chin, a former non-executive director of the Company, is a shareholder of Extrawell.

(7) Ever Grand is controlled by Messrs. Cheng Li-Yu and Cheng Li-Yen, directors of the Company.

(8) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company.

(9) Mr. Cheng Li-Yu is a director of the Company.

(i) The purchase prices for production materials and moulds were determined at rates mutually agreed between the relevant parties.

(ii) The selling prices of finished goods were determined at rates mutually agreed between the relevant parties.

(iii) The technical assistance fees were determined at rates mutually agreed between the relevant parties.

(iv) The technological support fees were determined at rates mutually agreed between the relevant parties.

(v) The rentals were determined at rates mutually agreed between the relevant parties.

Apart from the purchase of moulds from Chengyang, the above transactions entered into by the Group during the year ended 31 December 2006 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related companies as at the balance sheet date are included in notes 22 and 26 to the financial statements.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group (excluding directors' remuneration):

	2006	2005
	HK$'000	*HK$'000*
Short term employee benefits	**4,178**	4,938
Employee share-based compensation expenses	**896**	980
Total compensation paid to key management personnel	**5,074**	5,918

Details of directors' emoluments are included in note 9 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the balance sheet date, the Group's principal financial instruments comprise cash and cash equivalents, trade receivables, derivative financial instruments, trade and bills payables, other receivables and payables and bank borrowings.

The Group does not have written risk management policies and guidelines. However, management meets periodically to analyse and formulate measurements to manage the Group's exposure to financial risk, including principally credit risk and changes in currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

(i) Interest Rate Risk

The interest rates and the terms of repayment of the Group's bank loans are disclosed in note 28 above. The Group has no significant exposure to interest rate risk.

(ii) Foreign Currency Risk

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables and certain cash and cash equivalents in currencies other than the functional currency of the Group's operating subsidiaries. The Group uses derivative financial instruments to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

(iii) Credit Risk

The carrying amount of trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 84% of the Group's trade receivables at the balance sheet date.

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

(iii) Credit Risk *(Continued)*

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amount of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

(iv) Fair Values

Other than the derivative financial instruments and available-for-sale investment which have been measured at fair value, the financial assets and liabilities which are not carried at fair value in the consolidated balance sheet are presented below:

(a) *Bank balances, trade receivables, trade and bills payables, other receivables and payables*

The carrying amounts of these balances approximate to their fair values because of the immediate or short term maturity of these financial instruments.

(b) *Bank borrowings*

The carrying amounts of bank loans approximate to their fair values, based on the borrowing rates currently available for bank loans with similar terms and average maturity.

(v) Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

39. POST BALANCE SHEET EVENT

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2007.