Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

1. GENERAL

The Company is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

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

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business. The details of principal activities of its principal subsidiaries are set out in note 41.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results and financial position for the current or prior accounting periods have been prepared and presented:

Actuarial gains and losses

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 19 (Amendment) "Actuarial gains and losses, group plans and disclosures" which is effective for annual periods beginning on or after 1st January, 2006.

Prior to 1st January, 2006, actuarial gains and losses which exceeded 10 per cent of the greater of the present value of the Group's pension obligation and the fair value of plan assets were amortised over the expected remaining service period of the participating employees.

On the adoption of HKAS 19 (Amendment), the Group has adopted a new accounting policy to recognise actuarial gains and losses in the consolidated statement of recognised income and expense. This change in accounting policy has been applied retrospectively. Since the accumulated actuarial gains as at 1st January, 2005 and 1st January, 2006 is insignificant, the comparative figures have not been restated. This change has no material effect on the results for the current and prior years.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC) — INT 8	Scope of HKFRS 2 [4]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC) — INT 10	Interim financial reporting and impairment [6]
HK(IFRIC) — INT 11	HKFRS 2 — Group and treasury share transactions [7]
HK(IFRIC) — INT 12	Service concession arrangements [8]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2009.
[3] Effective for annual periods beginning on or after 1st March, 2006.
[4] Effective for annual periods beginning on or after 1st May, 2006.
[5] Effective for annual periods beginning on or after 1st June, 2006.
[6] Effective for annual periods beginning on or after 1st November, 2006.
[7] Effective for annual periods beginning on or after 1st March, 2007.
[8] Effective for annual periods beginning on or after 1st January, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for buildings and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent years.

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

Interests in associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised to by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less subsequent accumulated depreciation and accumulated impairment losses.

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

The cost or valuation of buildings is depreciated over their estimated useful lives using the straight line method.

Depreciation is provided to write off the cost of other plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using straight-line method.

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

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

Intangible assets

Patents are measured initially at cost and are amortised on a straight line basis over their estimated useful lives.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

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

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

Leases

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

The Group as lessor

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and securities trading and investments in the normal course of business, net of discounts and sales related taxes.

Trading of securities is recognised on trade date basis when the relevant contracts are executed.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

Revenue from services rendered is recognised when the services are rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefits scheme/state-managed retirement benefits schemes/ the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefits scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. All actuarial gains and losses of defined benefit plans are recognised immediately in retained profits in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets

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

Investments held for trading

At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

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

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including creditors, bills payables, amounts due to associates and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are also discussed below.

Depreciation

The Group's net book value of property, plant and equipment as at 31st December, 2006 was approximately HK$84,705,000. The Group depreciates the property, plant and equipment on a straight line basis over the estimated useful life as set out in note 15, commencing from the date the property, plant and equipment is placed into intended use. The estimated useful life and dates that the Group places the property, plant and equipment into use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Allowances for bad and doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision for warranties

The policy for provision of warranties of the Group is based on the management's best estimate of the Group's liabilities under a 1-year warranty period granted on the electroplating products based on past experience. The actual settlement may differ from the estimation made by the management. If the amounts are settled for an amount greater than management's estimation, a future charge to income statement will result. Likewise, if the amounts are settled for an amount that is less than estimation, a future credit to income statement will result.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2006, the carrying amount of goodwill is HK$2,488,000 with no impairment loss recognised. Details of the recoverable amount calculation are disclosed in note 18.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include trade and other debtors, pledged bank deposit, bank balances and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Certain bank balances, debtors, creditors and borrowings of the Group are denominated in foreign currencies as disclosed in the respective notes. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Cash flow interest rate risk

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on bank balances, pledged bank balances, loans receivable and borrowings which are carried at variable interest rate. The directors consider the Group's exposure to interest rate risk is not significant as interest bearing bank borrowings and balances are within short maturity periods.

Price risk

The Group is exposed to equity security price risk from investments held for trading. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those asset as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

The Group's revenue for the year ended 31st December, 2006 analysed by principal activity is as follows:

	2006	2005
	HK$'000	HK$'000
Revenue from electroplating machinery business:		
— Revenue from construction contracts in respect of design, manufacture and sale of custom-built electroplating machinery and other industrial machinery	**581,818**	385,430
— Sale of spare parts of electroplating machinery	**28,639**	17,959
— Provision of services — repairs and maintenance	**20,513**	26,072
Rental income from leasing equipment	**960**	1,080
Interest income from money lending	**571**	389
	632,501	430,930

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is mainly engaged in electroplating equipment business which includes the design, manufacturing and sale of custom-built electroplating equipment, sale of spare parts of electroplating machinery and provision of repairs and maintenance services. This business is the basis on which the Group reports its primary segment information.

In prior periods, the timber trading business was a reportable segment. With the change in its business size, no separate segment have been disclosed for both period and the timber trading business is included in other operations.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below.

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Electroplating equipment HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE				
External sales	**630,970**	**1,531**	**–**	**632,501**
RESULTS				
Segment results	**19,266**	**(1,142)**	**4,678**	**22,802**
Unallocated corporate income				**1,957**
Unallocated corporate expenses				**(19,170)**
Net change in fair value of investments held for trading				**9,169**
Loss on deemed disposal of an associate				**(313)**
Impairment loss recognised in respect of investment in an associate				**(696)**
Finance costs				**(853)**
Share of results of associates				**9,016**
Profit before taxation				**21,912**
Taxation				**(2,105)**
Profit for the year				**19,807**

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Electroplating equipment HK$'000	Other operations HK$'000	Consolidated HK$'000
Allowance for bad and doubtful debts	2,185	–	2,185
Bad debts recovered	240	–	240
Capital additions	7,665	285	7,950
Depreciation	5,794	220	6,014
Release of prepaid lease payments	244	–	244

BALANCE SHEET

AT 31ST DECEMBER, 2006

	Electroplating equipment HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	418,491	16,503	434,994
Interests in associates			47,375
Unallocated corporate assets			102,878
Consolidated total assets			585,247
LIABILITIES			
Segment liabilities	264,330	3,427	267,757
Unallocated corporate liabilities			43,265
Consolidated total liabilities			311,022

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Electroplating equipment HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE				
External sales	429,461	1,469	–	430,930
RESULTS				
Segment results	24,475	(7,102)	6,472	23,845
Unallocated corporate income				2,732
Unallocated corporate expenses				(17,711)
Net change in fair values of investments held for trading				(1,899)
Gain on disposal of available-for-sale investments	–	902	–	902
Loss on liquidation of a subsidiary	(39)	–	–	(39)
Gain on disposal of an associate				500
Gain on deemed acquisition of a subsidiary	–	552	–	552
Finance costs				(1,356)
Share of results of associates				8,281
Profit before taxation				15,807
Taxation				(2,671)
Profit for the year				13,136

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Electroplating equipment HK$'000	Other operations HK$'000	Consolidated HK$'000
Allowance for bad and doubtful debts	835	—	835
Bad debts recovered	554	—	554
Capital additions	3,893	61	3,954
Depreciation	5,527	200	5,727
Release of prepaid lease payments	244	—	244

BALANCE SHEET

AT 31ST DECEMBER, 2005

	Electroplating equipment HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	319,168	13,933	333,101
Interests in associates			40,247
Unallocated corporate assets			89,368
Consolidated total assets			462,716
LIABILITIES			
Segment liabilities	175,598	2,115	177,713
Unallocated corporate liabilities			34,386
Consolidated total liabilities			212,099

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong, the People's Republic of China (excluding Hong Kong) (the "PRC"), Taiwan, Europe, North America and other Asia countries.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services.

	2006	2005
	HK$'000	HK$'000
Hong Kong	**67,117**	50,638
PRC	**205,633**	157,678
Taiwan	**197,235**	82,837
Europe	**66,548**	48,948
North America	**15,774**	26,508
South East Asia (other than Korea)	**35,418**	41,736
Japan and Korea	**39,089**	15,860
Others	**5,687**	6,725
	632,501	430,930

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

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**280,552**	207,963	**4,101**	1,083
PRC	**150,435**	119,780	**3,614**	2,783
Others	**4,007**	5,358	**235**	88
	434,994	333,101	**7,950**	3,954

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	846	1,338
Finance leases	7	18
	853	1,356

9. LOSS ON DEEMED DISPOSAL OF AN ASSOCIATE

During the year, an associate of the Group, Intech Machines Company, Limited ("IML"), issued its shares to its employees and directors as performance bonus. In this circumstance, the Group was deemed to dispose of 0.19% interest in IML and resulted in a loss of HK$313,000 for the year ended 31st December, 2006.

10. TAXATION

The taxation charge comprises:

	2006 HK$'000	2005 HK$'000
Hong Kong Profits Tax		
Charge for the year	–	2,029
Overprovision in prior years	(710)	(99)
	(710)	1,930
Overseas taxation		
Charge for the year	2,023	741
Deferred taxation (note 35)	792	–
Taxation attributable to the Company and its subsidiaries	2,105	2,671

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for the year.

10. TAXATION *(Continued)*

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the prior year.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdiction.

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2006	2005
	HK$'000	HK$'000
Profit before taxation	**21,912**	15,807
Tax at the income tax rate of 17.5%	**3,835**	2,766
Tax effect of share of results of associates	**(1,578)**	(1,449)
Tax effect of expenses not deductible for tax purpose	**332**	366
Tax effect of income not taxable for tax purpose	**(407)**	(495)
Overprovision in respect of prior years	**(710)**	(99)
Tax effect of deductible temporary difference not recognised	**544**	685
Tax effect of tax losses not recognised	**2,538**	3,245
Utilisation of tax losses previously not recognised	**(2,669)**	(2,005)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**234**	(405)
Others	**(14)**	62
Taxation for the year	**2,105**	2,671

11. PROFIT FOR THE YEAR

	2006	2005
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,406**	1,111
Depreciation of property, plant and equipment	**6,014**	5,727
Release of prepaid lease payments	**244**	244
Operating lease payments in respect of rented premises	**1,989**	967
Write-off of intangible assets	**–**	77
Net exchange loss (gain)	**3,856**	(49)
Staff costs:		
Directors' remuneration (note 12)	**8,394**	8,030
Salaries and allowances	**91,933**	58,288
Retirement benefits schemes expenses, excluding Directors	**70**	106
Contributions to retirement contributions schemes, excluding Directors	**2,118**	1,887
	102,515	68,311
Allowance for slow moving inventories	**924**	3,080
Share of tax of an associate (included in share of results of associates)	**913**	1,364
Interest earned on bank deposits	**(1,325)**	(313)
Other interest income	**(386)**	(36)
Dividend income		
— Listed	**(156)**	(25)
— Unlisted	**(83)**	(6)
Gain on disposal of property, plant and equipment	**(7)**	(125)
Gain on disposal of properties held for sale	**–**	(8)
Bad debts recovered	**(240)**	(554)

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five (2005: six) directors were as follows:

	Lam Kwok Hing HK$'000	**Nam Kwok Lun** HK$'000	**Kwan Wang Wai, Alan** HK$'000	**Ng Chi Kin, David** HK$'000	**Cheung Kin Wai** HK$'000	**Total 2006** HK$'000
Fees	–	–	60	60	60	180
Other emoluments						
Salaries and other benefits	4,095	4,095	–	–	–	8,190
Contributions to retirement benefits schemes	12	12	–	–	–	24
Total emoluments	4,107	4,107	60	60	60	8,394

	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000 (note a)	Lam Kwok Yan HK$'000 (note b)	Kwan Wang Wai, Alan HK$'000	Ng Chi Kin, David HK$'000	Cheung Kin Wai HK$'000	Total 2005 HK$'000
Fees	–	–	–	60	60	60	180
Other emoluments							
Salaries and other benefits	3,929	3,555	343	–	–	–	7,827
Contributions to retirement benefits schemes	12	9	2	–	–	–	23
Total emoluments	3,941	3,564	345	60	60	60	8,030

Notes:

(a) Appointed on 5th February, 2005.

(b) Resigned on 5th February, 2005.

No compensation was paid to any directors of the Company during the year for the loss of office as director of the Company. None of the directors of the Company has waived any emoluments during the year.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2005: two) were directors of the Company whose emoluments are included in note 12. The emoluments of the remaining three (2005: three) individuals were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	6,406	4,157
Contributions to retirement benefits schemes	36	36
	6,442	4,193

Their emoluments were within the following bands:

	Number of employees	
	2006	2005
HK$1,000,001 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	2	–

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2006 HK$'000	2005 HK$'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	20,079	13,413
Weighted average number of ordinary shares for the purpose of basic earnings per share	426,463	426,463

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Leasehold improvements	Plant, machinery and equipment	Motor vehicles	Audio equipment	Lighting equipment	Antenna and antenna control equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP									
COST OR VALUATION									
At 1st January, 2005	85,210	7,663	5,330	51,502	9,879	7,767	5,931	8,247	181,529
Currency realignment	1,280	87	38	362	53	–	–	–	1,820
Additions	155	220	200	2,648	731	–	–	–	3,954
Disposals	–	(93)	–	(1,477)	(446)	–	–	–	(2,016)
At 31st December, 2005	86,645	7,877	5,568	53,035	10,217	7,767	5,931	8,247	185,287
Currency realignment	2,085	183	77	791	131	–	–	–	3,267
Additions	289	423	–	3,902	3,336	–	–	–	7,950
Disposals	–	(1)	–	(2,253)	(2,350)	–	–	–	(4,604)
At 31st December, 2006	89,019	8,482	5,645	55,475	11,334	7,767	5,931	8,247	191,900
COMPRISING									
At cost	11,807	8,482	5,645	55,475	11,334	7,767	5,931	8,247	114,688
At valuation									
– 31st March, 1992	35,712	–	–	–	–	–	–	–	35,712
– 31st March, 1994	41,500	–	–	–	–	–	–	–	41,500
	89,019	8,482	5,645	55,475	11,334	7,767	5,931	8,247	191,900
DEPRECIATION, AMORTISATION AND IMPAIRMENT									
At 1st January, 2005	17,974	6,351	3,414	41,300	9,113	7,767	5,931	8,247	100,097
Currency realignment	234	62	2	230	45	–	–	–	573
Provided for the year	2,092	340	414	2,505	376	–	–	–	5,727
Eliminated on disposals	–	(90)	–	(1,368)	(446)	–	–	–	(1,904)
At 31st December, 2005	20,300	6,663	3,830	42,667	9,088	7,767	5,931	8,247	104,493
Currency realignment	428	141	18	479	55	–	–	–	1,121
Provided for the year	1,892	305	468	2,764	585	–	–	–	6,014
Eliminated on disposals	–	(1)	–	(2,091)	(2,341)	–	–	–	(4,433)
At 31st December, 2006	22,620	7,108	4,316	43,819	7,387	7,767	5,931	8,247	107,195
NET BOOK VALUES									
At 31st December, 2006	66,399	1,374	1,329	11,656	3,947	–	–	–	84,705
At 31st December, 2005	66,345	1,214	1,738	10,368	1,129	–	–	–	80,794

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

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	20 - 50 years
Furniture and fixtures	25%
Leasehold improvements	25%
Plant, machinery and equipment	$12^1/_2$% to $33^1/_3$%
Motor vehicles	$33^1/_3$%
Audio equipment	$12^1/_2$%
Lighting equipment	$12^1/_2$%
Antenna and antenna control equipment	10% to $12^1/_2$%

The net book value of property, plant and equipment in respect of assets held under finance leases is Nil (2005: HK$174,000).

Had the buildings been carried at cost less accumulated depreciation, the carrying value of the buildings would have been stated at approximately HK$43,335,000 (2005: HK$44,176,000).

16. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Hong Kong	**7,194**	7,266
Medium-term leasehold land in the PRC	**5,940**	6,112
	13,134	13,378
Analysed for reporting purposes as:		
Current year	**244**	244
Non-current asset	**12,890**	13,134
	13,134	13,378

17. GOODWILL

	HK$'000
COST	
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	2,488

Particular regarding impairment testing on goodwill is disclosed in note 18.

18. IMPAIRMENT TESTING ON GOODWILL

Goodwill with indefinite useful lives set out in note 17 has been allocated to the electroplating equipment segment.

During the year ended 31st December, 2006, management of the Group determines that there are no impairments of any of its cash generating unit ("CGU") containing goodwill. The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 5.25%. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 6% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. INTANGIBLE ASSETS

	Patents HK$'000
COST	
At 1st January, 2005	218
Write-off	(218)
At 31st December, 2005 and 31st December, 2006	–
AMORTISATION	
At 1st January, 2005	141
Eliminated on write-off	(141)
At 31st December, 2005 and 31st December, 2006	–
CARRYING VALUES	
At 31st December, 2006 and 31st December, 2005	–

The amortisation period adopted for patents is 20 years.

20. INTERESTS IN ASSOCIATES

	2006 HK$'000	2005 HK$'000
Cost of investment in associates		
Unlisted	**2,254**	2,254
Quoted shares in Taiwan	**20,192**	20,192
Impairment loss made	**(696)**	–
	21,750	22,446
Share of post-acquisition profits	**24,429**	16,656
Share of currency translation reserve	**1,196**	1,145
Share of net assets	**47,375**	40,247
Market value of quoted shares	**113,153**	67,363

Details of the Group's significant associates as at 31st December, 2006 are as follows:

Name of associate	Form of business structure	Place of incorporation	Proportion of nominal value of issued capital held by the Group	Principal activities
IML	Incorporated	Taiwan	28.38%	Design, manufacture and sale of wet processing equipment
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	42.00%	Investment holding
Qmem Technology Holdings Limited	Incorporated	British Virgin Islands	31.84%	Inactive

20. INTERESTS IN ASSOCIATES *(Continued)*

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

	2006 HK$'000	2005 HK$'000
Total assets	**510,848**	434,733
Total liabilities	**(331,959)**	(296,108)
Net assets	**178,889**	138,625
Group's share of net assets of associates	**47,375**	40,247
Revenue	**611,398**	499,314
Profit for the year	**45,172**	30,630
Group's shares of results of associates for the year	**9,016**	8,281

During the year, the Group has discontinued recognition of its share of losses of certain associates. The unrecognised share of losses of those associates, extracted from the relevant audited accounts of associates for the year is HK$1,064,000 (2005: Nil).

21. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK$'000	2005 HK$'000
Equity securities shown as non-current assets:		
Unlisted shares	**515**	515

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Sweden and British Virgin Islands. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31st December, 2005, the Group disposed of certain unlisted equity securities with carrying amount of HK$9,000, which had been carried at cost less impairment before the disposal. A gain on disposal of HK$902,000 had been recognised in profit or loss in 2005.

22. LOANS RECEIVABLE

The following is the maturity profile of loans receivable at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
Repayable within 3 months	**4,248**	2,779
Repayable after 3 months but within 6 months	**101**	61
Repayable after 6 months but within 1 year	**205**	846
Total repayable within 1 year	**4,554**	3,686
Repayable after 1 year, but not exceeding 2 years	**25**	–
Repayable after 2 years but not more than 5 years	**211**	164
More than 5 years	**983**	1,112
Total	**5,773**	4,962

The loans receivable are secured and interest-bearing. The range of effective interest rates, which are equal to contractual interest rates, on the Group's loan receivables is from Hong Kong prime rate to Hong Kong prime rate plus 3% (2005: Hong Kong prime rate minus 2% to Hong Kong prime rate plus 3%).

23. INVENTORIES

	2006	2005
	HK$'000	HK$'000
Raw materials	**45,716**	34,586
Finished goods	**117**	373
	45,833	34,959

Cost of inventories recognised as an expense during the year is HK$351,434,000 (2005: HK$228,278,000).

24. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2006	2005
	HK$'000	HK$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	**127,667**	82,057
Recognised profits less recognised losses	**32,233**	19,535
	159,900	101,592
Progress billings	**(137,877)**	(88,700)
	22,023	12,892
Represented by:		
Due from customers included in current assets	**30,503**	24,260
Due to customers included in current liabilities	**(8,480)**	(11,368)
	22,023	12,892

At the balance sheet date, there were no retention monies held by customers for contract work performed. At 31st December, 2006, advances received from customers for contract work performed amounted to HK$31,271,000 (2005: HK$6,787,000) which were included in creditors, bills payable and accrued charges.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2006	2005
	HK$'000	HK$'000
Trade debtors	**227,364**	157,607
Other debtors and prepayments	**29,561**	19,033
	256,925	176,640

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows stage payments. In general, credit will only be offered to customers in accordance with their financial credit abilities and established payment records.

25. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

The following is an aged analysis of trade debtors as at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
Current	**188,266**	144,355
Overdue by:		
0 - 60 days	**22,939**	5,060
61 - 120 days	**12,280**	3,009
121 - 180 days	**1,337**	1,866
Over 180 days	**2,542**	3,317
	227,364	157,607

The trade debtors that are denominated in currencies other than the functional currency are set out below:

	NTD	**GBP**	**EUR**
	HK$'000	HK$'000	HK$'000
As at 31st December, 2006	1,764	1,003	37,903
As at 31st December, 2005	—	269	17,693

26. INVESTMENTS HELD FOR TRADING

	2006	2005
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**20,251**	18,528

27. AMOUNTS DUE FROM/TO ASSOCIATES

	2006	2005
	HK$'000	HK$'000
Interest-bearing at Hong Kong prime rate plus 2% per annum	**4,235**	945
Interest-bearing at Hong Kong prime rate	**–**	630
Non-interest — bearing	**39**	76
	4,274	1,651

The above balances are unsecured and repayable on demand.

The amounts due to associates are unsecured, interest-free and repayable on demand.

28. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances carry interest at market. The pledged deposits carry fixed interest rate of 3.69% (2005: 3.49%). The pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group, will be released upon the settlement of relevant bank borrowings.

The bank balances that are denominated in currencies other than the functional currency are set out below:

	GBP	**EUR**
	HK$'000	HK$'000
As at 31st December, 2006	275	943
As at 31st December, 2005	2,039	547

29. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2006 HK$'000	2005 HK$'000
Trade creditors	108,770	77,917
Bills payable	–	913
Other creditors and accrued charges	129,569	78,320
	238,339	157,150

The following is an aged analysis of trade creditors and bills payable as at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0 - 60 days	56,436	44,118
61 - 120 days	38,875	13,974
121 - 180 days	6,086	14,847
Over 180 days	7,373	5,891
	108,770	78,830

The trade creditors and bills payable that are denominated in currencies other than the functional currency are set out below:

	NTD HK$'000	GBP HK$'000	EUR HK$'000	SEK HK$'000
As at 31st December, 2006	6,705	582	10,918	252
As at 31st December, 2005	4,736	534	2,979	2,378

30. WARRANTY PROVISIONS

	2006 HK$'000	2005 HK$'000
At 1st January	**9,040**	5,920
Additional provision in the year	**18,715**	8,948
Utilisation of provision	**(6,817)**	(5,828)
At 31st December	**20,938**	9,040

The warranty provision represents management's best estimation of the Group's liability under 1-year warranty granted on electroplating products, based on prior experience and industry averages for defective products.

31. BORROWINGS

	2006 HK$'000	2005 HK$'000
The borrowings comprise the following:		
Bank overdrafts	**–**	830
Trust receipt loans	**18,919**	4,315
Bank loans	**2,998**	2,765
Other bank loans	**15,374**	20,990
	37,291	28,900
Secured	**37,291**	28,070
Unsecured	**–**	830
	37,291	28,900

The above amounts are repayable within one year and classified as current liabilities.

All the above bank borrowings are variable-rate borrowings with effective interest rates ranging from 6.03% to 7.33% (2005: 3.18% to 6.25%) denominated in Hong Kong Dollars or United States Dollars. Interest is normally adjusted when Hong Kong prime rate or London Interbank Offered Rate is adjusted.

31. BORROWINGS *(Continued)*

The borrowings that are denominated in currencies other than the functional currency are set out below:

	RMB	**JPY**	**EUR**	**USD**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2006	–	–	4,832	27,140
As at 31st December, 2005	2,765	272	413	23,081

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**10**	220	**8**	207
In the second to fifth year inclusive	**–**	10	**–**	8
	10	230	**8**	215
Less: Future finance charges	**(2)**	(15)	–	–
Present value of lease obligations	**8**	215	**8**	215
Less: Amount due for settlement within one year (shown under current liabilities)			**(8)**	(207)
Amount due for settlement after one year			**–**	8

32. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease term is 3 years. For the current year, the average effective borrowing rate was approximately 3% per annum (2005: 3% per annum). Interest rate is fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

33. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	20,000,000,000	200,000
Issued and fully paid:		
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	426,463,400	4,265

34. RESERVES/MINORITY INTERESTS

	Attributable to equity holders of the parent							
	Share premium HK$'000	**Property revaluation reserve** HK$'000	**Legal reserves** HK$'000	**Currency translation reserve** HK$'000	**Contributed surplus** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interest** HK$'000
Balance at 1st January, 2005	28,500	32,383	11,450	(5,743)	48,937	107,347	222,874	8,948
Exchange difference arising on translation of operations of overseas subsidiaries and associate recognised directly in equity	–	–	–	3,105	–	–	3,105	105
Realised upon the liquidation of a subsidiary	–	–	–	(13)	–	–	(13)	–
Profit for the year	–	–	–	–	–	13,413	13,413	(277)
Total recognised income (expense) for the year	–	–	–	3,092	–	13,413	16,505	(172)
Liquidation of a subsidiary	–	–	–	–	–	–	–	(1,251)
Deemed acquisition of a subsidiary	–	–	–	–	–	–	–	(552)
Balance at 31st December, 2005	28,500	32,383	11,450	(2,651)	48,937	120,760	239,379	6,973
Exchange difference arising on translation of operations of overseas subsidiaries and associate recognised directly in equity	–	–	–	4,445	–	–	4,445	(17)
Recognition of actuarial loss on defined benefits plans	–	–	–	–	–	(13)	(13)	–
Net income (expense) recognised directly in equity	–	–	–	4,445	–	(13)	4,432	(17)
Profit for the year	–	–	–	–	–	20,079	20,079	(272)
Total recognised income (expense) for the year	–	–	–	4,445	–	20,066	24,511	(289)
Acquisition of additional equity interest in subsidiaries	–	–	–	–	–	–	–	(2)
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	–	(612)
Balance at 31st December, 2006	28,500	32,383	11,450	1,794	48,937	140,826	263,890	6,070

The contributed surplus of the Group arose as a result of the capital reorganisation on 23rd April, 2004.

In prior years, in accordance with statutory requirements in the PRC, a subsidiary registered in the PRC had transferred a certain percentage of its annual net income from retained profits to legal reserves. No such transfer is required for the year ended 31st December, 2006 and 2005 as that subsidiary incurred losses for both years. These legal reserves are not distributable.

35. DEFERRED TAXATION

The following is the deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1st January, 2005 and 31st December, 2005	415	(415)	3,076	3,076
Charge to income statement for the year (note 10)	377	415	–	792
At 31st December, 2006	792	–	3,076	3,868

At 31st December, 2006, the Group has estimated unused tax losses of HK$166,259,000 (2005: HK$169,377,000) and other deductible temporary differences of HK$7,023,000 (2005: HK$3,914,000) available for offset against future profits. Deferred tax asset has been recognised of Nil (2005: HK$2,373,000) of the tax losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$166,259,000 (2005: HK$167,004,000) and other deductible temporary differences of HK$7,023,000 (2005: HK$3,914,000) due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

36. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13th June, 2005, the Company adopted a new share option scheme (the "New Scheme") and terminated the old share option schemes ("Old Scheme") which became effective on 13th June, 2005.

The purpose of the New Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contribution to the Company or its subsidiaries.

The Old Scheme was adopted by the Company on 1st January, 2001 and remained in force for a period of ten years from the date of its adoption. Pursuant to the Old Scheme, the Company granted options on 30th August, 2001 but all options have been lapsed before the termination of the Old Scheme and no share options are outstanding under the Old Scheme at 31st December, 2005 and 2006.

36. SHARE OPTION SCHEMES *(Continued)*

The subscription price for a share in respect of any particular option granted under the New Scheme (which shall be payable upon exercise of the option) shall be such prices as the directors in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other option scheme(s) of the Company must not exceed 10% of the shares in issue, i.e. 42,646,340 shares on the date of approval and adoption of the New Scheme by the shareholders.

The total number of shares issued and which may fall to be issued upon exercise of options granted under the New Scheme and any other option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The New Scheme shall be valid and effective for a period of 10 years commencing from the date of its adoption.

No share options were granted or exercised under the New Scheme during the year ended 31st December, 2005 and 2006.

37. LIQUIDATION OF A SUBSIDIARY

During the year ended 31st December, 2005, the Group liquidated a subsidiary, Beijing Haoyuan Power Equipment Company Limited.

The net assets of above subsidiary at the date of liquidation were as follows:

	HK$'000
Debtors, deposits and prepayments and net assets	1,303
Minority interests	(1,251)
Currency translation reserve realised	(13)
	39
Loss on liquidation	(39)
Total consideration	–

The subsidiary liquidated during the year ended 31st December, 2005 did not have any material effect on the Group's turnover, profit before taxation and cash flow.

38. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from leasing equipment earned during the year was HK$960,000 (2005: HK$1,080,000). The equipment held has committed tenants for the 2 years at inceptions.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006	2005
	HK$'000	HK$'000
Within one year	**640**	960
In the second to fifth year inclusive	**–**	640
	640	1,600

38. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee

At the balance sheet date, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**1,419**	188
In the second to fifth years inclusive	**1,303**	–
	2,722	188

Operating lease payments represent rentals payable by the Group for its factory premises and staff quarters in the PRC. Leases are negotiated for five years and rentals are fixed for the leased period.

39. PLEDGE OF ASSETS

As at 31st December, 2006, the Group has pledged certain bank deposits of HK$7,000,000 to secure general banking facilities granted to the Group.

As at 31st December, 2005, the Group had pledged its buildings in the PRC with an aggregate net book value of HK$7,500,000 and certain bank deposits of HK$6,000,000 to secure general banking facilities granted to the Group.

40. RETIREMENT BENEFITS SCHEMES

Since 1st December, 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income. The contributions are charged to the consolidated income statement as incurred.

The relevant PRC subsidiaries are required to make contributions to the state-managed schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

40. RETIREMENT BENEFITS SCHEMES *(Continued)*

In addition, a subsidiary operates funded defined benefits pension scheme (the "ORSO Scheme") for all its qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The most recent actuarial valuation of plan assets and liabilities of the ORSO Scheme was carried out at 31st December, 2006 by qualified staff of HSBC Life (International) Limited, who are members of the Society of Actuaries of the United States of America. The present value of the ORSO Scheme and the related current service cost were measured using the projected unit credit method. The main actuarial assumptions used were as follows:

	2006	2005
Discount rate	**3.75% per annum**	4.25% per annum
Expected return on ORSO Scheme assets	**5.50% per annum**	6.00% per annum
Expected salary increase rate	**3.25% per annum**	3.25% per annum

The actuarial valuation showed that the market value of ORSO Scheme assets was HK$1,608,000 (2005: HK$1,283,000) and that the actuarial value of these assets represented 100.8% (2005: 91.7%) of the benefits that had accrued to members.

Amount recognised in the consolidated income statement in respect of the ORSO Scheme is as follows:

	2006 **HK$'000**	2005 HK$'000
Current service cost	**84**	84
Interest cost	**58**	60
Expected return on plan assets	**(82)**	(58)
Administrative cost and group life premium deducted from contribution	**10**	20
Expense recognised in the consolidated income statement	**70**	106

The charge for the year has been included in staff costs in the consolidated income statement.

40. RETIREMENT BENEFITS SCHEMES *(Continued)*

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of the ORSO Scheme is as follows:

	2006 **HK$'000**	2005 HK$'000
Present value of funded defined benefit obligations	**1,595**	1,399
Fair value of plan assets	**(1,608)**	(1,283)
(Surplus) deficit	**(13)**	116
Net actuarial gains not recognised	**–**	39
Net (asset) liability arising from defined benefit obligation	**(13)**	155

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2006 **HK$'000**	2005 HK$'000
At 1st January	**1,399**	1,203
Current service cost	**84**	84
Interest cost	**58**	60
Actuarial losses on obligation due to change in assumptions	**21**	–
Benefits paid	**(85)**	–
Actuarial losses on obligation due to experience adjustment	**118**	52
At 31st December	**1,595**	1,399

Movements in the fair value of the plan assets in the current year were as follows:

	2006 **HK$'000**	2005 HK$'000
At 1st January	**1,283**	725
Expected return on plan assets	**82**	58
Actuarial gains	**87**	5
Contributions from the employer	**241**	495
Benefits paid	**(85)**	–
At 31st December	**1,608**	1,283

40. RETIREMENT BENEFITS SCHEMES *(Continued)*

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

	Expected return		Fair value of plan assets	
	2006	2005	**2006**	2005
	%	%	**HK$'000**	HK$'000
Equity instruments	**2.22**	2.38	**650**	509
Debt instruments	**2.73**	3.11	**797**	666
Cash	**0.55**	0.51	**161**	108
Weighted average expected return	**5.50**	6.00	**1,608**	1,283

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was HK$169,000 (2005: HK$63,000).

The plan assets do not include ordinary shares of the Company or any property occupied by the Company.

The history of experience adjustments is as follows:

	2006	2005
	HK$'000	HK$'000
Experience adjustment on plan liabilities	**118**	52

In accordance with the transitional provisions for the HKAS 19 (Amendment), the disclosures above are determined prospectively from 1st January, 2006 reporting period.

The Group expects to make a contribution of HK$259,000 (2005: HK$251,000) to the defined benefit plans during the next financial year.

The Group recognised actuarial loss amounted to HK$13,000 (2005: Nil) for the year ended 31st December, 2006 directly in the consolidated statement of recognised income and expense. The cumulative amount of actuarial loss recognised directly in statement of recognised income and expense amounted to HK$13,000 (2005: Nil) as at 31st December, 2006.

41. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31st December, 2006 are as follows:

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
ATNT Global Investments Company Limited	Hong Kong	HK$2	–	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	–	100	Management services
Beijing Golden PAL Plating Equipment Company Limited (Sino-foreign equity joint venture)	PRC	US$1,291,500	–	52	Design, manufacture and sale of electroplating machines and other automated equipment
Dragon Will Investment Limited	British Virgin Islands*	US$1	–	100	Investment holding
Fairway Int'l Limited	British Virgin Islands*	US$1	–	100	Investment holding
Golden Rainbow Investments Limited	British Virgin Islands*	US$1	–	100	Property investment
Happy Win Resources Limited	British Virgin Islands*	US$1	100	–	Investment holding
Hovington Agents Limited	British Virgin Islands*	US$1	–	100	Investment holding
Longfaith Holdings Limited	British Virgin Islands*	US$1	–	100	Investment holding
Palcon International Limited	British Virgin Islands*	US$100	–	60	Investment holding
PAL Control Sdn. Bhd	Malaysia	MYR2	–	60	Software development

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41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
PAL Europe Limited	Hong Kong	HK$2	–	100	Investment holding
PAL Finance Limited	Hong Kong	HK$2	–	100	Money lending
PAL Properties Investment Limited	British Virgin Islands*	US$1	–	100	Investment holding
PAL SEA Limited	British Virgin Islands*	US$100	–	100	Investment holding
PAL (Sea) Sdn. Bhd.	Malaysia	MYR300,000	–	60	Sale of electroplating machines
PAL Service Sdn. Bhd.	Malaysia	MYR50,002	–	60	Sale of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	100	–	Investment holding
Process Automation (China) Limited (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$1,500,000	–	100	Design, manufacture and sale of electroplating machines
Process Automation (Europe) Limited	The United Kingdom	GBP1	–	100	Sale of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	–	100	Design, manufacture and sale of electroplating machines
Process Automation (Shenzhen) Limited ("WFOE")	PRC	HK$18,000,000	–	100	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	–	100	Property investment
Strength Hope Limited	British Virgin Islands*	US$1	100	–	Investment holding

41. PRINCIPAL SUBSIDIARIES *(Continued)*

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

* The subsidiaries operate in Hong Kong. The remaining subsidiaries operate in their places of incorporation.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note: At 31st December, 2006, PAIL had outstanding 11,000,000 non-voting deferred shares of HK$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

42. RELATED PARTY TRANSACTION

During the year ended 31st December 2005, Mr. Lam Kwok Yan, the former Chairman of the Company had transferred 1,000 shares in Asia Nice Art Production Limited ("ANA") to the Group at nil consideration. The transfer represented 10% interest in the entire issued capital of ANA. The net assets of ANA at the date of transfer were HK$5,524,000 and therefore the deemed benefits transferred to the Group were HK$552,000.

Compensation of key management personnel

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

	2006	2005
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**14,114**	13,371
Retirement benefits costs	**96**	83
	14,210	13,454

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