Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to 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. Details of the principal activities of the subsidiaries are set out in note 33.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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 new standards, amendment or interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[8]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[7]

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

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 March 2006

[3] Effective for annual periods beginning on or after 1 May 2006

[4] Effective for annual periods beginning on or after 1 June 2006

[5] Effective for annual periods beginning on or after 1 November 2006

[6] Effective for annual periods beginning on or after 1 March 2007

[7] Effective for annual periods beginning on or after 1 January 2008

[8] Effective for annual periods beginning on or after 1 January 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 their accounting policies 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.

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 services provided in the normal course of business, net of discounts.

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

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

Service income is recognised when services are rendered.

Investment properties

Investment properties are held to earn rentals and for capital appreciation.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

When the Group is the 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.

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.

When the Group is the lessee, rentals payable under operating leases is 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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated 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

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 Group's financial assets comprise of investment held for trading, loans and receivables and available-for-sale financial assets. The accounting policies adopted in respect of the Group's financial assets are set out below.

Investment held for trading

At each balance sheet date subsequent to initial recognition, investment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, pledged bank 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.

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 are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occuring offer the recognition of the impairment loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

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

The Group's financial liabilities mainly include creditors, bills payables, trust receipt loans, bank overdrafts and secured bank borrowings which are subsequently measured at amortised cost, using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at 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.

Research and development expenditure

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

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

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

Technology know-how

Technology know-how is stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is provided to write off the cost on a straight-line basis over its useful life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these 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. Impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items 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.

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 Company (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 date of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange 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 years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated 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.

Equity-settled share-based payment transactions

Share options granted to employees

Share options granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

The contributions payable to the retirement benefits schemes are charged the consolidated income statement represent as expenses when employees have rendered service entitling them to the contributions.

4. FINANCIAL INSTRUMENTS

4a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, investment held for trading, debtors, pledged bank deposits, bank balances and cash, creditors, bills payables, trust receipt loans, bank overdrafts and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Cash flow interest rate risk*

The Group is exposed to cash flow interest rate risk through the changes in interest rates relates mainly to the Group's bank borrowings, pledged bank deposits and bank balances. The management monitors the interest rate exposure and considers hedging significant interest rate exposure should the need arises.

(ii) *Price risk*

The Group is exposed to equity security price risk through its interests in available-for-sale investments and investment 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 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

4. FINANCIAL INSTRUMENTS (continued)

4a. Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

Liquidity risk

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

4b. Fair value

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

- The fair values of the available-for-sale investments have been determined by reference to the quoted market bid prices of the underlying assets of the available-for-sale investments.

- The fair values of the investment held for trading are determined based on quoted market bid prices available on the relevant exchange.

- The fair value of other financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis.

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

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – distribution of semiconductors and development and provision of electronic turnkey device solutions. These divisions are the basis on which the Group reports its primary segment information. Inter-segment sales were carried out at market price.

Segment information about these businesses is presented below.

Income statement

for the year ended 31 December 2006

	Distribution of semiconductors HK$'000	Development and provision of electronic turnkey device solutions HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue				
External sales	523,640	284,050	–	807,690
Inter-segment sales	604	24	(628)	–
	524,244	284,074	(628)	807,690
Segment results	10,237	23,455	–	33,692
Unallocated corporate income				5,918
Unallocated corporate expenses				(110)
Finance costs				(9,347)
Profit before taxation				30,153
Income tax expense				(4,817)
Profit for the year				25,336

5. SEGMENT INFORMATION (continued)

Balance sheet

as at 31 December 2006

	Distribution of semiconductors HK$'000	Development and provision of electronic turnkey device solutions HK$'000	Consolidated HK$'000
Assets			
Segment assets	179,742	64,837	244,579
Unallocated corporate assets			72,532
Consolidated total assets			317,111
Liabilities			
Segment liabilities	29,102	20,604	49,706
Unallocated corporate liabilities			147,263
Consolidated total liabilities			196,969
Other information			
Additions to property, plant and equipment	–	108	108
Allowance for doubtful debts	33	51	84
Allowance for slow moving inventories	–	115	115
Depreciation of property, plant and equipment	177	1,888	2,065

Income statement

for the year ended 31 December 2005

	Distribution of semiconductors HK$'000	Development and provision of electronic turnkey device solutions HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue				
External sales	561,389	114,002	–	675,391
Inter-segment sales	769	32	(801)	–
	562,158	114,034	(801)	675,391
Segment results	11,059	3,608	–	14,667
Unallocated corporate income				3,147
Unallocated corporate expenses				(2)
Finance costs				(6,480)
Profit before taxation				11,332
Income tax expense				(1,732)
Profit for the year				9,600

5. SEGMENT INFORMATION (continued)

Balance sheet

as at 31 December 2005

	Distribution of semiconductors HK$'000	Development and provision of electronic turnkey device solutions HK$'000	Consolidated HK$'000
Assets			
Segment assets	167,908	24,353	192,261
Unallocated corporate assets			62,117
Consolidated total assets			254,378
Liabilities			
Segment liabilities	32,280	15,501	47,781
Unallocated corporate liabilities			114,161
Consolidated total liabilities			161,942
Other information			
Additions to property, plant and equipment	489	4,127	4,616
Depreciation of property, plant and equipment	448	1,207	1,655
Amortisation of technology know-how	–	2,730	2,730
Allowance for doubtful debts	671	236	907
Allowance for slow moving inventories	4,075	8	4,083

Geographical segments

The Group's operations are principally located in Hong Kong and the People's Republic of China ("PRC").

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

	2006 HK$'000	2005 HK$'000
Hong Kong	**593,819**	424,791
PRC	**204,320**	242,532
Others	**9,551**	8,068
	807,690	675,391

5. SEGMENT INFORMATION (continued)

Geographical segments (continued)

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

	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	**199,720**	139,366	**–**	489
PRC	**44,452**	50,884	**108**	4,127
Others	**407**	2,011	**–**	–
	244,579	192,261	**108**	4,616

6. OTHER INCOME

	2006	2005
	HK$'000	HK$'000
Commission income	**117**	128
Engineering income	**644**	911
Exchange gain, net	**–**	127
Gain on settlement of forward contracts	**–**	2,550
Gain on disposal of an available-for-sale investment	**39**	64
Gain on disposal of property, plant and equipment	**4,090**	2,194
Increase in fair value of investment held for trading	**17**	–
Interest income	**1,414**	604
Management service income	**28**	96
Packing income	**936**	–
Rental income	**358**	285
Sample income	**34**	148
Sundry income	**1,995**	1,836
Technical service income	**4**	2
	9,676	8,945

7. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**9,337**	6,032
Interest on other borrowings	**–**	440
Finance lease charges	**10**	8
	9,347	6,480

8. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Profit before taxation is arrived at after charging:		
Allowance for doubtful debts included in general and administrative expenses	**84**	907
Allowance for slow moving inventories included in cost of sales	**115**	4,083
Auditors' remuneration:		
Current year	**1,200**	1,180
Underprovision for previous years	**136**	381
Decrease in fair value of investment held for trading	**–**	2
Depreciation of property, plant and equipment:		
Own assets	**2,065**	1,620
Asset held under a finance lease	**–**	35
Loss on disposal of investment properties	**110**	–
Operating leases in respect of:		
Office premises	**1,341**	1,386
Office equipment	**17**	17
Research and development cost	**368**	1,573
Staff costs inclusive of directors' remuneration	**24,388**	24,277
Share-based payment expense	**1,782**	–
Total staff costs	**26,170**	24,277
Exchange loss, net	**327**	–

9. INCOME TAX EXPENSE

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**4,595**	1,113
Underprovision in prior year	**439**	90
	5,034	1,203
Deferred taxation		
Current year *(note 25)*	**(217)**	529
	4,817	1,732

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year.

9. INCOME TAX EXPENSE (continued)

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

	2006 **HK$'000**	2005 HK$'000
Profit before taxation	**30,153**	11,332
Tax at the domestic income tax rate of 17.5%	**5,277**	1,983
Tax effect of expenses not deductible for tax purpose	**322**	532
Tax effect of income not taxable for tax purpose	**(757)**	(941)
Tax effect of tax losses not recognised	**15**	455
Utilisation of tax losses previously not recognised	**(549)**	(365)
Effect of tax exemptions granted to PRC subsidiaries	**(4)**	(1)
Underprovision in prior year	**439**	90
Others	**74**	(21)
Taxation charge for the year	**4,817**	1,732

10. DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES

Directors' emoluments

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

	Wong Shu Wing	**Kwan Kim Fai, Stanley** *(Note a)*	**Choi Tai Kai**	**Lau Kit Hung**	**Wong Lai Ying, Cecilia** *(Note b & c)*	**Lau Chung Kwan** *(Note a & c)*	**Yeung Ming Tai** *(Note c)*	**Chang Kin Man** *(Note c & d)*	**Sun Hanxu** *(Note e)*	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006										
Fees										
Other emoluments	–	–	–	–	50	79	50	50	–	229
Salaries and										
other benefits	996	471	728	507	–	–	–	–	–	2,702
Retirements benefits										
scheme										
contributions	12	2	12	12	–	–	–	–	–	38
Total emoluments	1,008	473	740	519	50	79	50	50	–	2,969
2005										
Fees	–	–	–	–	–	50	50	50	–	150
Other emoluments										
Salaries and										
other benefits	858	742	700	468	–	–	–	–	–	2,768
Retirements benefits										
scheme										
contributions	12	12	12	12	–	–	–	–	–	48
Total emoluments	870	754	712	480	–	50	50	50	–	2,966

10. DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES (continued)

Directors' emoluments (continued)

Note a: Mr. Kwan Kim Fai, Stanley and Mr. Lau Chung Kwan both resigned as Directors of the Group on 28 February 2006.

Note b: Ms. Wong Lai Ying, Cecilia was appointed as Director of the Group on 1 March 2006.

Note c: Independent non-executive director

Note d: Mr. Chang Kin Man resigned as an independent non-executive director of the Group on 18 April 2007.

Note e: Professor Sun Hanxu was appointed as an independent non-executive director of the Group on 18 April 2007.

Employees' emoluments

The five highest paid individuals of the Group included two (2005: three) directors, details of their remunerations are set out above. The remunerations of the remaining three (2005: two) individuals were as follows:

	2006 **HK$'000**	2005 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,597**	1,094
Retirement benefits scheme contributions	**33**	24
	1,630	1,118

The remunerations of the remaining two individuals were each within the band of nil to HK$1,000,000.

During both years, no remunerations were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any remunerations during both years.

11. DIVIDEND

The directors do not recommend the payment of a dividend and proposed the profit for the year be retained.

12. EARNINGS PER SHARE

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

	2006	2005
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the Company	**25,268**	9,608

	2006	2005
Number of shares:		
Number of shares for the purpose of basic earnings per share	**473,000,000**	473,000,000
Effect of dilutive potential shares share options	**681,847**	–
Weighted average number of shares for the purpose of diluted earnings per share	**473,681,847**	473,000,000

The computation of diluted earnings per share for 2005 does not assume the exercise of the outstanding share options as the exercise price of the Company's outstanding share option was higher than the average market price of shares for the year ended 31 December 2005.

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2005	1,950
Increase in fair value	880
At 31 December 2005	2,830
Disposals	(2,830)
At 31 December 2006	**–**

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties. Investment properties were situated in Hong Kong and held under medium term leases.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2005	6,333	2,787	4,744	1,824	211	1,068	16,967
Exchange realignment	–	9	13	–	–	5	27
Additions	–	638	3,164	–	814	–	4,616
Disposals	(3,277)	(827)	(621)	(83)	–	–	(4,808)
At 31 December 2005	3,056	2,607	7,300	1,741	1,025	1,073	16,802
Exchange realignment	–	19	39	–	3	10	71
Additions	–	–	31	–	77	–	108
Disposals	(3,056)	–	–	–	–	(438)	(3,494)
At 31 December 2006	**–**	**2,626**	**7,370**	**1,741**	**1,105**	**645**	**13,487**
DEPRECIATION AND AMORTISATION							
At 1 January 2005	385	2,125	3,974	1,331	195	211	8,221
Exchange realignment	–	4	4	–	–	–	8
Provided for the year	149	339	496	272	194	205	1,655
Eliminated on disposals	(277)	(697)	(546)	(82)	–	–	(1,602)
At 31 December 2005	257	1,771	3,928	1,521	389	416	8,282
Exchange realignment	–	11	14	–	–	2	27
Provided for the year	24	304	957	220	397	163	2,065
Eliminated on disposals	(281)	–	–	–	–	(185)	(466)
At 31 December 2006	**–**	**2,086**	**4,899**	**1,741**	**786**	**396**	**9,908**
CARRYING VALUES							
At 31 December 2006	**–**	**540**	**2,471**	**–**	**319**	**249**	**3,579**
At 31 December 2005	2,799	836	3,372	220	636	657	8,520

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

Leasehold properties	Over the term of the lease or 40 years, whichever is shorter
Leasehold improvement	20% – 25%
Office equipment	20% – 25%
Furniture and fixtures	20% – 25%
Computer equipment	30% – 50%
Motor vehicles	20%

Leasehold properties, which are situated in Hong Kong and held under medium term leases, were pledged to secure banking facilities granted to the Group prior to disposal of during the year.

Included in carrying values of motor vehicles as at 31 December 2005 was an amount of HK$105,000 in respect of an asset held under a finance lease.

15. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT HELD FOR TRADING

	2006 HK$'000	2005 HK$'000
Available-for-sale investments		
Unlisted unit trust fund, at fair value	**2,238**	3,896
Investment held for trading		
Listed equity securities in Hong Kong, at fair value	**38**	21
	2,276	3,917
Analysed for reporting purposes as:		
Non-current	**2,238**	3,896
Current	**38**	21
	2,276	3,917

The potential return of available-for-sale investments is linked to the performance of a basket of indexes including the Hang Seng Index, the Nikkei 225 and the KOSPI 200, which is considered as an embedded derivative that is not closely related to the fund. As at 31 December 2006 and 31 December 2005, the fair value of the embedded derivative is negligible.

16. TECHNOLOGY KNOW-HOW

	HK$'000
COST	
At 1 January 2005, 31 December 2005 and 31 December 2006	5,460
AMORTISATION	
At 1 January 2005	2,730
Charge for the year ended 31 December 2005	2,730
At 31 December 2005 and at 31 December 2006	5,460
CARRYING VALUE	
At 31 December 2005 and 31 December 2006	–

In May 2002, a deposit of HK$5,460,000 (USD700,000) was paid to an independent third party for the development of the know-how of global positioning system products ("GPS know-how"). In late 2003, the development was completed and the Group obtained the right of the GPS know-how in the consideration of the deposit paid.

The Group has used this know-how to develop electronic turnkey device solutions for GPS products. The technology know-how was amortised on a straight-line basis over two years, being its estimated useful life.

17. INVENTORIES

	2006 HK$'000	2005 HK$'000
Raw materials	**459**	263
Work in progress	**241**	159
Finished goods	**34,259**	22,431
	34,959	22,853

18. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 30 to 90 days to its trade customers.

An aged analysis of trade debtors is as follows:

	2006 HK$'000	2005 HK$'000
Within 30 days	**97,514**	57,339
Between 31 to 60 days	**60,081**	42,078
Over 60 days	**29,869**	36,882
	187,464	136,299
Other debtors, deposits and prepayments	**18,577**	24,589
	206,041	160,888

Included in trade debtors are amounts of HK$9,919,000 (2005: HK$1,163,000) which have been pledged to certain banks to secure the receivable discounting advance facilities.

Included in other debtors, deposits and prepayments as at 31 December 2005 were discounted bills receivables with full recourse of HK$858,000 which was aged within 30 days.

19. BANK BALANCES, PLEDGE BANK DEPOSITS AND BANK OVERDRAFTS

Pledged bank deposits

The pledged deposits have been placed in designated banks as part of the securities provided for general banking facilities granted to the Group by banks. The bank deposits carry interest at rates ranging from 3.10% to 4.79% (2005: 0.4% to 3.9%) per annum.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at rates ranging from 0.01% to 2.04% (2005: 0.01% to 2.22%).

Bank overdrafts

Bank overdrafts carry interests at margin over Hong Kong dollar prime rate with average effective interest rate of 9.0% (2005: 7.4%) and are secured by the Group's bank deposits and available-for-sale investments.

20. CREDITORS AND ACCRUED CHARGES

An aged analysis of the trade creditors is as follows:

	2006 **HK$'000**	2005 HK$'000
Within 30 days	**20,808**	12,297
Between 31 to 60 days	**8,335**	8,841
Over 60 days	**3,603**	6,875
	32,746	28,013
Other creditors and accrued charges	**16,960**	14,240
	49,706	42,253

21. BILLS PAYABLE

Included in the bills payables as at 31 December 2005 was an amount of HK$3,656,000 aged within 30 days and the remaining balance of HK$1,872,000 was aged between 90 to 120 days.

22. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		**Present value of minimum lease payments**	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Within one year	**–**	54	**–**	47
More than one year, but not exceeding two years	**–**	36	**–**	31
	–	90	**–**	78
Less: future finance charges	**–**	(12)	**–**	–
Present value of lease obligations	**–**	78	**–**	78
Less: Amount due within one year shown under current liabilities			**–**	(47)
Amount due after one year			**–**	31

The lease term of the motor vehicle under finance lease is 4 years. For the year ended 31 December 2006, the effective borrowing rate was 7.03% (2005: 7.03%). The lease was on a fixed repayment basis. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

23. TRUST RECEIPT LOANS

The trust receipt loans carry interests at the standard bills rate quoted by banks or at a margin over prime rate with average effective interest rate of 7.3% (2005: 6.9%). The trust receipt loans are secured by the Group's bank deposits and available-for-sale investments. The Group's trust receipt loans are arranged at floating interest rates and subject to cash flow interest rate risk.

24. SECURED BANK BORROWINGS

	2006 **HK$'000**	2005 HK$'000
Bank loans *(note a)*	**20,610**	7,950
Discounting advances drawn on trade debtors *(note b)*	**7,966**	219
Discounted bills receivables with full recourse	**–**	858
	28,576	9,027

The Group's secured bank borrowings are arranged at floating interest rates and subject to cash flow interest rate risk.

Notes:

(a) Bank loans carry interests at a margin over prime rate with average effective interest rate of 6.0% (2005: 7.5%) and are secured by the Group's bank deposits and available-for-sale investments.

(b) Discounting advances drawn on trade debtors carry interests at the standard bills rates quoted by banks or at a margin over prime rate with average effective interest rate of 6.0% (2005: 6.9%) and are secured by certain trade debtors of the Group.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the two years ended 31 December 2006 and 2005:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2005	108	(108)	–
Charge to consolidated income statement	424	105	529
At 31 December 2005	532	(3)	529
(Credit) charge to consolidated income statement	(220)	3	(217)
At 31 December 2006	**312**	**–**	**312**

At the balance sheet date, the Group has unused tax losses of HK$5,435,000 (2005: HK$8,502,000) available for offset against future profits. A deferred tax asset of nil (2005: HK$3,000) has been recognised in respect of nil (2005: HK$17,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$5,435,000 (2005: HK$8,485,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. SHARE CAPITAL

	Number of shares	Amount HK$'000
Details of the share capital of the Company are as follows:		
Ordinary shares of HK$0.1 each:		
Authorised		
At 1 January 2005, 31 December 2005 and 31 December 2006	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2005, 31 December 2005 and 31 December 2006	473,000,000	47,300

27. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted at a special general meeting of the Company held on 12 February 2003 and will expire in February 2013. Under the scheme, the board of directors of the Company may, at their discretion, grant options to employees, including executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the relevant option, which must be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes shall not exceed 10% of the issued share capital of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate in any 12-month period shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options are vested immediately and may be exercised at any time from the date of grant of the share option to the expiry of the relevant option.

27. SHARE OPTION SCHEME (continued)

The following tables disclose details of the Company's share options and movements in such holdings during the year.

Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2005 and 1.1.2006	Granted during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2006
			Number of share options			
Directors						
11 October 2004	11 October 2004 to 10 October 2014	0.10	8,000,000	–	–	8,000,000
11 October 2004	11 October 2004 to 10 October 2014	0.13	3,000,000	–	–	3,000,000
			11,000,000	–	–	11,000,000
Other employees						
11 October 2004	11 October 2004 to 10 October 2014	0.10	5,000,000	–	–	5,000,000
11 October 2004	11 October 2004 to 10 October 2014	0.13	6,408,000	–	(1,304,000)	5,104,000
2 November 2006	2 November 2006 to 1 November 2016	0.12	–	18,896,000	–	18,896,000
			11,408,000	18,896,000	(1,304,000)	29,000,000
Exercisable at the end of the year						40,000,000

At 31 December 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 40,000,000 (2005: 22,408,000), representing 8.46% (2005: 4.74%) of the shares of the Company in issue at that date. 39,000,000 of share options were exercised subsequent to 31 December 2006.

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.7 years (2005: 8.8 years).

27. SHARE OPTION SCHEME (continued)

The estimated fair value of the options on the date of grant was calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

Date of grant	Exercise price HK$	Weighted average share price HK$	Expected volatility %	Expected life	Risk-free rate %	Expected dividend yield %	Estimated fair value HK$
2006							
2 November 2006	0.12	0.11	113.8	7 years	3.78	–	0.094

Expected volatility was determined by using the historical volatility of the Company's weekly closing share price for a period of 52 weeks before the date of grant.

For the year ended 31 December 2006, the Company recognised the total expense of HK$1,782,000 (2005: nil) in related to equity-settled share-based payment transactions during the year.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Consideration paid for each grant of option is HK$1. The total consideration received during the year from employees for taking up the options granted is amounted to HK$6 (2005: nil).

28. PLEDGE OF ASSETS

The Group had pledged the following assets to secure general banking facilities at the balance sheet date:

	2006 **HK$'000**	2005 HK$'000
Available-for-sale investments	**2,238**	3,896
Bank deposits	**39,656**	35,098
Investment properties	**–**	2,830
Leasehold properties	**–**	2,799
Trade debtors	**9,919**	1,163
	51,813	45,786

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	The Group as lessee	
	2006	2005
	HK$'000	HK$'000
At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:		
Office premises:		
Within one year	**1,930**	897
In the second to fifth year inclusive	**1,428**	143
	3,358	1,040
Office equipment:		
Within one year	**17**	17
In the second to fifth year inclusive	**32**	48
	49	65

Operating lease payments represent rentals payable by the Group for certain of its office premises and office equipment. Leases are fixed and negotiated for terms ranging from 12 to 60 months.

The Group as lessor

The Group had no operating lease contracted at the balance sheet date. At 31 December 2005, the Group had contracted with tenants for the future minimum lease payments of HK$445,000 under non-cancellable operating leases in respect of rented premises which fall due within one year. Leases were fixed and negotiated for terms ranging from 12 to 24 months.

30. EMPLOYEE RETIREMENT BENEFITS

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme for its qualifying employees in Hong Kong. The assets of the scheme are held under funds managed by independent trustees. The Group and its employees participating in the scheme were each required to make contributions to the scheme calculated at 5 per cent. of individual employee's basic monthly salaries. The Group's contribution made to employees who have left the Group's employment prior to being vested fully with such contributions were forfeited. Contributions from the Group and its employees were frozen with the adoption of Mandatory Provident Fund Scheme ("MPF Scheme").

With effective from 1 December 2000, the operating subsidiaries in Hong Kong joined the MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

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

The amount charged to consolidated income statement of HK$742,000 (2005: HK$626,000) represents contributions paid or payable to these schemes by the Group in respect of the current accounting year.

31. RELATED PARTY TRANSACTION

Compensation of key management personnel

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

	2006 **HK$'000**	2005 HK$'000
Salaries and other short-term benefits	**5,560**	5,548
Retirement benefits scheme contributions	**98**	394
	5,658	5,942

32. EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to the resolution passed in the Company's extraordinary general meeting on 22 January 2007, (i) the proposed open offer of new ordinary shares of HK$0.10 each in the share capital of the Company on the basis of one offer share for every five existing shares held on the 22 January 2007 with bonus shares to be issued on the basis of eight bonus shares for every fully paid offer share and the proposed increase in authorised share capital of the Company from HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.10 each to HK$300,000,000 divided into 3,000,000,000 shares of HK$0.10 each; and (ii) the refreshment of the 10% scheme mandate limit of the Scheme (i.e. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of shares in issue as at the date of the extraordinary general meeting on 22 January 2007).

(b) On 15 February 2007, the Company entered into a subscription agreement with a subscriber in relation to the subscription of 315,392,000 subscription shares at the subscription price of HK$0.128 per share, representing 22.0% of the existing issued share capital of the Company as at 15 February 2007. Completion of the subscription agreement took place on 16 April 2007 and the Company had issued 315,392,000 shares of HK$0.128 per share for a total consideration of HK$40,370,176.

(c) On 15 February 2007, the Company also entered into a placing agreement with Kingsway Financial Services Group Limited ("Kingsway") pursuant to which Kingsway would procure the places to subscribe for a maximum of 114,688,000 placing shares at the placing price of HK$0.128 per share, representing in aggregate 8.0% of the existing issued share capital of the Company as at 15 February 2007. Completion of the placing agreement took place on 13 April 2007 and the company had issued 114,688,000 shares of HK$0.128 per share for a total consideration of HK$14,680,064.

33. SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2006 were as follows:

Name of company	Place and date of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Apson Electronic Products Limited	Hong Kong 7 August 1990	Hong Kong	Ordinary shares HK$200,000	99%	Manufacturing and trading of computer components
Hoover Technologies Limited	Hong Kong 19 November 1992	Hong Kong	Ordinary shares HK$1,020,000	99%	Trading of electronic products
Kingful Investment Limited	Hong Kong 26 April 2002	Hong Kong	Ordinary shares HK$10,000	100%	Inactive
Ocean King Investment Limited	British Virgin Islands 18 March 2002	Hong Kong	Ordinary shares US$1	100%	Investment holding
J-Link Group Limited	British Virgin Islands 27 May 2002	Hong Kong	Ordinary shares US$1	100%	Investment holding
Rawason Development Limited	British Virgin Islands 23 February 2000	Hong Kong	Ordinary shares US$1	100%	Investment holding
Sunlink Apson Multi-media Limited	Hong Kong 8 August 2006	Hong Kong	Ordinary shares HK$1	100%	Not yet commence business
Sunwave Computers Limited	Hong Kong 20 August 1991	Hong Kong	Ordinary shares HK$1,170,000	92%	Trading of computer components
Sunwave Development Limited	Hong Kong 18 September 1987	Hong Kong	Ordinary shares HK$1,100,000	99%	Trading of electronic parts
Sunlink Geomatics Limited	British Virgin Islands 12 August 2005	Hong Kong	Ordinary shares US$1	100%	Investment holding
Sunlink Hitech (BVI) Limited	British Virgin Islands 25 November 2004	Hong Kong	Ordinary shares US$1	100%	Investment holding
Sunlink Hi-Tech Limited	Hong Kong 3 December 2004	Hong Kong	Ordinary shares HK$1,000,000	100%	Trading of electronic parts
Sun Horse Technologies (H.K.) Limited	Hong Kong 25 July 2001	Hong Kong	Ordinary shares HK$10,000	100%	Trading of electronic parts
Sunlink International Investments Limited	British Virgin Islands 10 July 2006	Hong Kong	Ordinary shares US$1	100%	Investment holding

33. SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Sunlink International mLogistics Limited (change of name on 1 February 2007 to Sunlink OTA Limited)	Hong Kong 15 June 2005	Hong Kong	Ordinary shares HK$10,000	100%	Not yet commence business
Sunlink M2M Technologies Limited	British Virgin Islands 9 June 2005	Hong Kong	Ordinary shares US$1	100%	Investment holding
Sunlink mLogistics Holdings Limited	British Virgin Islands 19 August 2005	Hong Kong	Ordinary shares HK$1,000,000	61%	Investment holding
Sunlink mSolutions Holdings Limited	British Virgin Islands 10 August 2005	Hong Kong	Ordinary shares US$1	100%	Investment holding
Sunlink mSolutions Limited	Hong Kong 22 October 1997	Hong Kong	Ordinary shares HK$1,000,000	100%	Trading of electronic parts and provision of technology solutions
Sunlink Technologies Holdings Limited	British Virgin Islands 27 May 2002	Hong Kong	Ordinary shares US$700	100%	Investment holding
Sunlink Technologies Limited	British Virgin Islands 27 May 2002	Hong Kong	Ordinary shares US$1	100%	Investment holding
Tech-Link T & E Limited	Hong Kong 28 December 2000	Hong Kong	Ordinary shares HK$500,000	100%	Trading of electronic parts
駿泰陽軟件科技(深圳)有限公司 (known as "Jun Tai Yang Software Technologies (Shenzhen) Limited" for identification purpose)*	PRC 7 August 2000	PRC	Registered capital HK$3,000,000	100%	Provision of technology solutions
駿泰陽科技(深圳)有限公司 (known as "Jun Tai Yang Technologies (Shenzhen) Limited" for identification purpose)*	PRC 25 July 2003	PRC	Registered capital HK$6,000,000	100%	Design and production of electronic parts

* *These subsidiaries registered in the PRC are wholly foreign owned enterprises.*

33. SUBSIDIARIES (continued)

The Company directly holds the entire interest in Sunlink Technologies Holdings Limited. The interests of all other companies are indirectly held by the Company.

None of the subsidiaries had any debt securities outstanding at 31 December 2006 or at any time during the year.