Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 833

Annual Report
2006

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Corporate Information

DIRECTORS

Executive Directors
Mr. LAM Yin Kee, *Chairman*
Ms. YEUNG Po Wah
Mr. Toshio DAIKAI

Non-executive Director
Mr. FAN, William Chung Yue

Independent Non-executive Directors
Mr. Barry John BUTTIFANT
Mr. LEUNG Kam Wah
Ms. YEUNG Chi Ying

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1108, 11/F,
Eastwood Centre,
No. 5 A Kung Ngam Village Road
Shau Kei Wan
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. LEUNG Fuk Cheung, FCCA, FCPA

LEGAL ADVISER

Kirkpatrick & Lockhart Preston Gates Ellis

INDEPENDENT AUDITOR

PricewaterhouseCoopers

COMPLIANCE OFFICER

CSC Asia Limited

AUDIT COMMITTEE

Mr. Barry John BUTTIFANT *(Chairman)*
Mr. LEUNG Kam Wah
Ms. YEUNG Chi Ying

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

In Cayman Islands
Butterfield Fund Services (Cayman) Limited
P.O. Box 705
Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands
British West Indies

WEBSITE

www.alltronics.com.hk

STOCK CODE

833

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2006.

BUSINESS REVIEW

The year 2006 is another successful year for the Group, since the parent company was listed in July 2005. Although we were still facing higher raw material prices, production costs and keen competition during the year, both turnover and net profit attributable to equity holders for the year have achieved significant growth. Turnover has increased by 87% to HK$592 million, whereas the net profit attributable to equity holders of the Company has increased by 63% to HK$44 million.

The products of the Group can be broadly classified into three categories, namely electronic products; components for electronic products; and plastic moulds and plastic components. During the year 2006, the Group has experienced significant growth in all these product categories.

ELECTRONIC PRODUCTS

The turnover for electronic products has increased by 74%, from HK$268 million to HK$466 million. The increase was mainly due to the continued expansion in demand from customers, in particular the sales of irrigation controllers, carbon monoxide detectors and audio equipment, the sales of which have increased by approximately 93%, 58% and 54% respectively. New models have been launched and well accepted by the market. Based on the orders on hand and forecasts provided by our respective customers, we expect that the sales for these products will remain strong and will continue to be the main source of income for the Group's electronic products operation.

COMPONENTS FOR ELECTRONIC PRODUCTS

Regarding the electronic products components operation, the turnover has increased by 54% to HK$75 million during the year. The sales of components for electronic products accounted for approximately 13% of the Group's total turnover. After the relocation to the new factory premises in November 2005, the Group's production capacity for components for electronic products has more than doubled. On the other hand, the customer base and the demand from our customers, have also increased continuously. We have strong confidence that the performance of the electronic products components operation will continue to achieve significant future growth.

PLASTIC MOULDS AND PLASTIC COMPONENTS

The Group's plastic moulds and plastic components operation is carried out through our 51% owned subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"). Southchina became a subsidiary of the Group in December 2005 and this is the first year in which the results of Southchina were consolidated into the results of the Group as a subsidiary. Total turnover for plastic moulds and plastic components operation for the year was HK$51 million, which accounted for approximately 9% of the total turnover of the Group. The acquisition of Southchina has secured a constant source of quality moulds and plastic components for the Group's production of electronic products, and has also allowed the benefits of synergy between operations to boost the business of the Group as a whole.

Chairman's Statement

GROSS PROFIT MARGIN

The gross profit margin for the year was 22%, compared to 25% for the year 2005. The decrease in margin was partially due to the continuous increase in basic production costs and overheads, in particular the continuing appreciation in the value of the Renminbi and the increase in general wage level and production overheads in China. The consolidation of Southchina's results, into the results of the Group as a subsidiary, has also lowered the overall profit margin of the Group as the traditional profitability of the plastic moulds and plastic components business is lower than other products of the Group.

PROSPECTS

Looking ahead, the year 2007 is likely to be challenging. Although the unit prices for plastic resin, copper and other metal parts are fluctuating less than the previous years, the rising costs of labour and overhead in China, added to the continuing appreciation in the value of the Renminbi, will certainly affect the profit margin of the Group. The Group will pursue a more cost effective operational structure and will continue to tighten its controls over production costs and overheads so as to maximize gross profit margins. In terms of the currency exchange risk, in view of the current financial position and diverse operations of the Group, we consider it unnecessary to adopt any sophisticated financial hedging policy.

In terms of product range, in future the Group will focus some of its resources in the development of medical health care products; environmental protection products; and energy savings products. We believe that there will be consistently high demand for these types of products.

In terms of our market, the United States continue to be the major market for the Group's products, and accounted for 69% of the Group's total turnover for the years 2005 and 2006. However, whilst we will continue to expand our business in this market, we will devote significant efforts to explore other markets in Europe, Japan and other Asian countries, so that the turnover by geographic locations can be spread more evenly in future periods.

The Group still foresees tremendous opportunities in the year 2007 and have strong confidence in maintaining the growth momentum in the future. We are very clear about our responsibility towards our shareholders and their expectations. Although there are challenges ahead in terms of competition and rising production costs, we are confident that we will meet these challenges because we have a well distributed worldwide customer base; consistently high quality products; and timely delivery, strong engineering and development support to our customers with an experienced and dedicated management team and a highly skilled, efficient workforce.

APPRECIATION

In appreciation of the support from our shareholders, the Board proposes the payment of a final dividend of HK3.8 cents per share. Together with the interim dividend of HK3.2 cents per share paid in November 2006, the total dividends paid for the year 2006 will be HK7.0 cents per share, representing a dividend payout of 48% on the net attributable profit of the year 2006. All dividends are paid in cash from funds generated from the Group's operations. The Group has sufficient funds to meet its future expansion plans after the payment of dividends. The Board intends to maintain an annual dividend payout policy in the range of 40% to 50% of annual attributable earnings in future, subject to the Group's overall financial position, funding requirements and business plans.

Finally, on behalf of the Board, I would like to express my sincere gratitude and thanks to all who have contributed to the Group's successful performance in 2006 notably to all our shareholders, customers, business partners and staff, for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 25 April 2007

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

During the year ended 31 December 2006, the turnover of the Group has increased significantly by 86.9% to HK$592 million, as compared to HK$317 million for the year 2005. The table below shows the turnover analysis by electronic products, components for electronic products and plastic moulds and plastic components for the two years ended 31 December 2006 and 2005 respectively:

	2006	2005
	HK$'000	*HK$'000*
Sales of electronic products	**465,921**	267,880
Sales of components for electronic products	**75,265**	49,023
Sales of plastic moulds and plastic components	**51,132**	–
	592,318	316,903

The turnover for electronic products has increased by HK$198 million to HK$466 million whereas the turnover for components for electronic products has increased by HK$26 million to HK$75 million. The increases were mainly due to the continued strong growth in demand from customers and the expansion of the customer base. The year 2006 is the first year whereby the results of the Group's 51% owned subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"), were reflected in the consolidated financial statements as a subsidiary. Southchina is principally engaged in the manufacture of plastic moulds and plastic components. Total sales of plastic moulds and plastic components during the year amounted to HK$51 million.

During the year 2006, the sales of the Group's single major product, irrigation controllers, regained its growth momentum due to the launch of new models and continued increase in demand from the key customer. Sales of irrigation controllers have increased from HK$127 million to HK$245 million. Sales of carbon monoxide detectors and audio equipment have also increased significantly during the year by 58.0% and 53.9% to HK$32 million and HK$32 million respectively. Management expects that the demand for these products will remain strong in the year ahead.

The increase in turnover for the Group's components for electronic products was mainly due to the continued expansion in the customer base as well as the increase in business volume with individual customers. The relocation of the factory to new premises with larger facilities in November 2005 has enabled the Group to expand its production capacity for components for electronic products to cope with increasing demand.

The acquisition of Southchina as a 51% owned subsidiary in December 2005 has enabled the Group to broaden its sales and customer base. The acquisition has also ensured that the Group has a reliable supply of quality plastic moulds and plastic components for its electronic products.

Gross Profit

Despite the growth in turnover, the gross profit margin decreased by approximately 3% during the year 2006. The drop was mainly due to the inclusion of Southchina's results in the consolidated financial statements as a subsidiary, as the mould and plastic business has a lower profit margin than other traditional products of the Group. In addition, the increase in general wage level in PRC together with the continuing appreciation in the value of the Renminbi during the year, also resulted in an increase in the overall labour and material costs and overheads.

Operating Expenses

During the year ended 31 December 2006, distribution costs were approximately at 1.0% of turnover. This is comparable to 1.4% in the year ended 31 December 2005. The surge of turnover has resulted in an increase in the utilisation of trade facilities granted by our bankers. Together with the general increases in interest rates during the year, total finance costs have increased by HK$6 million. On the other hand, bank interest income for the year has also increased by HK$2 million, as a result of the increase in average bank deposit balances and increases in interest rates during the year. The total finance costs and interest income of Southchina for the year amounted to HK$3 million and HK$136,000 respectively.

Administrative expenses for the year 2006 have increased by 59.1% or HK$23 million. The increase was due to a number of reasons, including the increase in staff costs as a result of the annual salary review in January 2006; the provision for impairment on trade receivables of HK$6 million and other bad debts written off of HK$1 million. The administrative expenses of Southchina alone for the year amounted to HK$10 million, which were included in the consolidated income statement.

Net Profit

The net profit margin for the year has dropped from the 8.5% achieved for the year 2005, to 7.6% for the year 2006. The reduction in net profit margin was due to the decrease in average gross profit margin and the increase in administrative expenses, as explained above.

PRODUCTION FACILITIES

During the year 2005, the Group leased additional factory premises for the production of electronic products and also relocated its factory for production of components for electronic products to new premises with an enlarged production capacity to cater for future growth. During the year 2006, the Group spent HK$9 million to acquire new plant and machinery and HK$5 million on leasehold improvements to expand the production capacity to cope with increasing demand from customers.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group remains strong and healthy. At 31 December 2006, total cash and cash equivalents, net of current bank overdrafts, amounted to HK$45 million. The net funds are available to finance the Group's working capital and capital expenditure plans.

At 31 December 2006, the total borrowings of the Group amounted to HK$78 million, comprising bank overdrafts of HK$11 million, bank loans of HK$31 million, bills payable of HK$30 million and obligations under finance leases of HK$6 million, all of which are denominated in Hong Kong dollars. The average effective interest rates for each of these borrowings at 31 December 2006 ranged from 7.1% to 8.6%.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were 52 days, 70 days and 61 days respectively for the year 2006. The turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

At 31 December 2006, the Company had in issue a total of 300,000,000 ordinary shares of HK$0.01 each.

CASH FLOWS

Total balance of cash and cash equivalents at 31 December 2006 was HK$45 million, which decreased by HK$9 million compared to the balance at 31 December 2005.

Given continued strong sales growth in 2006, there was a net cash inflow from operating activities of HK$10 million. The net cash outflow from investing activities in 2006 amounting to HK$14 million, which was mainly due to the HK$16 million spent on the addition of property, plant and equipment.

There was a net cash outflow of HK$6 million from financing activities in 2006. This was mainly the net effect of payment of dividends of HK$14 million, repayment of borrowings of HK$45 million and new bank loans of HK$54 million obtained.

PLEDGE OF ASSETS

At 31 December 2006, the Group had total bank borrowings of HK$72 million, out of which HK$33 million were secured by short-term bank deposits of HK$2 million and available-for-sale financial assets of HK$3 million.

GEARING RATIO

At 31 December 2006, total borrowings, excluding trade related debts, were HK$47 million and the shareholders' equity was HK$164 million. The gearing ratio of the Group, calculated as total borrowings mentioned above over shareholders' equity, was therefore 28.7%, which improved significantly from the 46.7% recorded at 31 December 2005.

CONTINGENT LIABILITIES

At both 31 December 2005 and 31 December 2006, the Group did not have any material contingent liabilities.

EMPLOYEES

At 31 December 2006, the Group had 3,214 employees, of which 78 are employed in Hong Kong and 3,136 are employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total staff costs, excluding Directors' emoluments, incurred by the Group for 2006 amounted to HK$84 million.

The Company has also adopted a share option scheme on 22 June 2005. During the year, a total of 13,500,000 share options were granted to three executive Directors and other staff of the Company. These share options do not have any vesting period and are exercisable within a period of two years to 26 September 2008 at an exercise price of HK$1.11 per share. Details of the principal terms and conditions of the scheme are set out in the Report of the Directors on page 23.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and have contributed to the success of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and Hong Kong dollars and most of the purchases of raw materials are denominated in United States dollars, Hong Kong dollars and Renminbi. Furthermore, as most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi, the exchange rate risk of the Group for the time being is considered to be minimal.

In view of the current financial position and diverse operations of the Group, the management considered that it was not necessary for the Group to have any kind of sophisticated financial instruments for hedging purposes or to adopt any formal hedging policy.

Management Discussion and Analysis

OUTLOOK

The Group's primary objective is to become a leading and internationally recognised manufacturer and "total solution provider" of its electronic products and electronic products components. The Group has been focusing on developing new designs to meet customers' needs and continuously expanding its service to its increasing range of international customers.

The Group will pursue a more cost effective operational structure and will continue to tighten its controls over production costs and overheads so as to maximize gross profit margins. In terms of product range, the Group will focus some of its resources in the development of medical health care products; environmental protection products; and energy savings products. The Group believes that there will be a consistently future high demand for these products.

In terms of markets, the United States continue to be the major market for the Group's products, and accounted for 69% of the Group's total turnover for the years 2005 and 2006. However, the Group will continue to devote significant effort to explore other markets in Europe, Japan and other Asian countries, so that the turnover by geographic locations can be spread more evenly in future periods.

Management still foresees there are tremendous opportunities in the year 2007 and has strong confidence in maintaining future growth momentum. The Group is very clear about its responsibility towards shareholders and their expectations. Although there are challenges ahead in terms of competition and rising production costs, management is confident that it will meet these challenges because it has a well distributed worldwide customer base; consistently high quality products; and timely delivery, strong engineering and development support to its customers allied with an experienced and dedicated management team and a highly skilled, efficient workforce.

DIVIDENDS

In appreciation of the support from our shareholders, the Board proposes the payment of a final dividend of HK3.8 cents per share. Together with the interim dividend of HK3.2 cents per share paid in November 2006, the total dividends paid for the year 2006 will be HK7.0 cents per share, representing a dividend payout of 48.0% of the profit attributable to equity holders for the year 2006. All dividends are paid in cash from funds generated from the Group's operations. The Group has sufficient funds to meet its future expansion after the payment of dividends.

The proposed final dividend of HK3.8 cents per share will be payable to shareholders whose names appear on the Register of Members of the Company on Wednesday, 23 May 2007. The Register of Members will be closed from Friday, 18 May 2007 to Wednesday, 23 May 2007, both days inclusive, and the proposed final dividend will be paid on or about Wednesday, 6 June 2007. The payment of dividend shall be subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 60, is an executive Director and the Chairman of the Company. Being the founder of the Group, Mr. Lam has over 36 years of marketing experience in the electronic industry and he is responsible for the Group's overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years.

Ms. Yeung Po Wah (楊寶華), aged 57, is an executive Director of the Company and the wife of Mr. Lam Yin Kee. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department.

Mr. Toshio Daikai (大海敏生), aged 64, is an executive Director of the Company. Mr. Daikai has over 37 years of experience in the electronic industry in Japan and is responsible for the sales and marketing of the Group's products in Japan. Mr. Daikai graduated from the Keiou Gijyuku University of Japan in 1965 and holds a Bachelor Degree of Commercial Science. Pior to joining the Group in April 2003, he has worked for Matsushita Electric Industrial Co., Ltd. ("Matsushita") in Japan for 37 years and was the Director of Battery Appliance Division and Director of Power Supply Equipment Division at the time he left Matsushita.

Non-Executive Director

Mr. Fan, William Chung Yue (范仲瑜), aged 66, is a non-executive Director appointed by the Group in June 2005. Mr. Fan is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors. He has been a director of Hon Kwok Land Investment Company Limited from 1985 to 2005 and he is also a director of Chinney Investments Limited starting from 1985, the shares of these two companies are listed on the Stock Exchange.

Directors and Senior Management Profile

DIRECTORS (Continued)

Independent Non-Executive Directors

Mr. Barry John Buttifant, aged 62, is an independent non-executive Director appointed by the Group in June 2005. Mr. Buttifant has been appointed as the managing director of Hsin Chong International Holdings Limited ("HCIH") in December 2004. HCIH is a private limited company which controls a property construction company publicly listed in Hong Kong, Hsin Chong Construction Group Ltd., and a property management service company, also publicly listed in Hong Kong, Synergis Holdings Limited. Mr. Buttifant is also an alternate director for both of these companies. Prior to joining HCIH, Mr. Buttifant was the managing director and corporate advisor to the board of director of Wo Kee Hong (Holdings) Limited and was previously the managing director of IDT International Limited for over 8 years. He had worked for Sime Darby Hong Kong Limited and Polly Peck Far East Limited for more than 11 years in the capacity of finance director and managing director respectively during the period. He has over 30 years of experience in corporate and financial management. Currently Mr. Buttifant is also an independent non-executive director of Giordano International Limited; Daiwa Associates Holdings Limited; and a NYSE public company Global-Tech Appliances Inc.. Mr. Buttifant is a fellow member of the Association of Chartered Certified Accountants; the Hong Kong Institute of Certified Public Accountants; the Chartered Management Institute; the Hong Kong Management Association and the Hong Kong Institute of Directors.

Mr. Leung Kam Wah (梁錦華), aged 60, is an independent non-executive Director appointed by the Group in June 2005. Mr. Leung has over 30 years of experience in the legal sector. He had worked as a judicial clerk in the Judiciary Department and a legal executive in the Legal Aid Department of Hong Kong. Mr. Leung is now practising as a law costs draftsman and operating a legal costing firm in Hong Kong.

Ms. Yeung Chi Ying (楊芷櫻), aged 42, is an independent non-executive Director appointed by the Group in June 2005. Ms. Yeung is a fellow member of the Association of the Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She is a practising certified public accountant in Hong Kong and has over 17 years of experience in auditing and accounting.

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (楊建燊), aged 56, is a co-founder of Southchina and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 26 years of management experience in the manufacturing field.

Mr. Lam On Bong (林安邦), aged 55, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 26 years of management experience in the manufacturing field.

Mr. Leung Hon Kwong, Jackson (梁漢光), aged 54, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 26 years of management experience in the manufacturing field.

SENIOR MANAGEMENT (Continued)

Mr. So Kin Hung (蘇健鴻), aged 50, is the general manager of Alltronics Tech. Mftg. Limited and is responsible for the marketing and engineering operation. Mr. So has over 20 years of experience in the electronic industry and worked for a Hong Kong listed company as the assistant general manager before joining the Group in 1997. He obtained a Bachelor of Science degree from NorthEast London Polytechnic in the United Kingdom in 1982.

Mr. Leung Fuk Cheung (梁福祥), aged 43, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has over 18 years of extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company. Since it was listed on the Main Board of the Stock Exchange on 15 July 2005, the Company has applied the principles and complied with all applicable code provisions, of the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except as mentioned below, that the Company does not have a separate Chairman and Chief Executive per Provision A.2.1 of the Code. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance, so as to protect and maximize the interests of shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2006. The relevant employees who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

THE BOARD OF DIRECTORS AND BOARD MEETINGS

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy; to oversee the management of the Group; and to evaluate the performance of the Group. The Board is also responsible for the approval of annual and interim results, risk management, major acquisitions, and other significant operational and financial matters. Matters not specifically reserved to the Board, and which necessarily relate to the daily operations of the Group, are delegated to executive management under the supervision of the respective Directors and the leadership of the Chairman.

During the year ended 31 December 2006, there was no change in the composition of the Board. On 1 January 2007, an executive Director, Mr. William Peter Shelley, resigned from the Board, to take early retirement and has permanently relocated to Australia. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors, as follows:

Executive Directors	:	Mr. Lam Yin Kee, Chairman and Chief Executive Ms. Yeung Po Wah Mr. Toshio Daikai
Non-executive Director	:	Mr. Fan, William Chung Yue
Independent Non-executive Directors	:	Mr. Barry John Buttifant Mr. Leung Kam Wah Ms. Yeung Chi Ying

Mr. Lam Yin Kee is the Chairman and Chief Executive of the Group. Ms. Yeung Po Wah is an executive Director of the Group and the wife of Mr. Lam Yin Kee. Apart from this, there is no other direct family relationship amongst members of the Board.

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 11 and 12. All Directors have sufficient experience to hold their positions so as to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group.

The non-executive Director and the three independent non-executive Directors are persons of high calibre with academic and professional qualifications in the fields of accounting, law and business management. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group. The non-executive Director and independent non-executive Directors were appointed for a term of one year commencing from 17 June 2005, and such appointments shall continue thereafter from year to year until terminated by either party with one month's written notice served to the other party.

Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he/she has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of Directors.

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals but other board meetings, as necessitated by business, on an ad-hoc basis. During the year ended 31 December 2006, four full board meetings were held and it is very pleasing to record that the attendance of the Board of Directors was full attendance at all meetings as set out hereafter:

Name of Director	Number of board meetings attended	Attendance rate
Mr. Lam Yin Kee	4/4	100%
Ms. Yeung Po Wah	4/4	100%
Mr. Toshio Daikai	4/4	100%
Mr. William Peter Shelley	4/4	100%
Mr. Fan, William Chung Yue	4/4	100%
Mr. Barry John Buttifant	4/4	100%
Mr. Leung Kam Wah	4/4	100%
Ms. Yeung Chi Ying	4/4	100%

Every Board member has a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Apart from the above regular meetings of the year, the Board will meet on other occasions when board-level decision on a particular matter is required. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2006. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be subsequently circulated and confirmed by Directors and then be available for inspection by Directors upon request.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE

Under Code Provision A.2.1 of the Code, the role of Chairman and Chief Executive should be separated and ought not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Lam Yin Kee currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. However, the Board will review the roles of Mr. Lam Yin Kee acting as the Chairman and Chief Executive regularly, and may segregate the roles into two Directors in the future, if the Board believes that it is in the best interest of the Company and the shareholders.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to not less than one-third) shall retire from office by rotation.

All of the Directors of the Company were re-appointed at the last Annual General Meeting held on 24 May 2006. Pursuant to Article 86(3) of the Company's Articles of Association, Ms. Yeung Po Wah, Mr. Leung Kam Wah and Ms. Yeung Chi Ying shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Chairman is responsible for identifying suitable candidates for members of the Board, when there is a vacancy or an additional director may be considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates to determine the suitability to the Group on the basis of their qualifications, experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation at the shareholders' meeting for approval.

All Directors (including executive, non-executive and independent non-executive Directors) are subject to election for appointment by shareholders at the annual general meeting at least once every three years. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for the termination of the service contracts with executive Directors by either party is not less than three months. The notice period for the termination of appointment of non-executive Directors and independent non-executive Directors by either party is not less than one month.

REMUNERATION COMMITTEE

According to the Code, the Company established a Remuneration Committee on 22 June 2005. The Remuneration Committee shall have a minimum of five members, comprising a majority of independent non-executive Directors. The Chairman of the Remuneration Committee is Mr. Lam Yin Kee and other current members include Ms. Yeung Po Wah, Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying. The Remuneration Committee schedules to meet at least once every year and the quorum necessary for the transaction of business is two.

The duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(g) to advise shareholders on how to vote with respect to any service contracts of Directors that required shareholders' approval under rule 13.68 of the Listing Rules; and

(h) to consider other relevant remuneration topics, as defined by the Board.

The Remuneration Committee had one meeting in 2006 which was attended by all members of the Remuneration Committee to discuss and review the bonus payment policy and the pay trend of the Group in 2007.

The Company has adopted a share option scheme on 22 June 2005, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 23 to 25. The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the Directors' emoluments are set out in note 10 to the financial statements.

AUDIT COMMITTEE

The Company established an Audit Committee on 22 June 2005 with written terms of reference in compliance with the Code. The Audit Committee must comprise of independent non-executive Directors only, namely Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying. Mr. Barry John Buttifant is the Chairman of the Audit Committee.

The Audit Committee shall meet at least twice every year and the quorum necessary for the transaction of business is two. Three meetings were held during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Name of Member	Number of meetings attended	Attendance rate
Mr. Barry John Buttifant	3/3	100%
Mr. Leung Kam Wah	3/3	100%
Ms. Yeung Chi Ying	3/3	100%

The primary duties of the Audit Committee are as follows:

Relationship with the Company's independent auditor

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor, and to approve the remuneration and terms of engagement of the independent auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the independent auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the independent auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on the engagement of the independent auditor to supply non-audit services. The Audit Committee shall ensure that the provision by the independent auditor of non-audit services does not impair the independent auditor's independence or objectivity;

Review of financial information of the Company

(d) to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, the interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein, before submission to the Board;

(e) in regard to (d) above:

  (i) members of the Audit Committee must liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least once a year, with the Company's independent auditor;

  (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or independent auditor; and

  (iii) the Audit Committee should discuss problems and reservations arising from the financial statements, annual reports and accounts, interim reports and quarterly reports (if applicable) and any other matters the independent auditor may wish to discuss (with or in the absence of management of the Company, as appropriate);

Oversight of the Company's financial reporting system and internal control procedures

(f) to review the Company's financial controls, internal control and risk management systems, and its statement in relation thereto prior to endorsement by the Board;

(g) to discuss with the management, the systems of internal control and ensure that management has discharged its duty to have effective internal control systems;

(h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(i) to review the Company and its subsidiaries' financial and accounting policies and practices;

(j) to review the independent auditor's management letter, any material queries raised by the independent auditor to management in respect of the accounting records, financial accounts or systems of control and management's response thereon;

(k) to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;

(l) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

(m) to act as the key representative body for overseeing the Company's relations with the independent auditor;

(n) to report to the Board on the matters set out in this term of reference; and

(o) to consider other topics, as defined by the Board.

The Group's unaudited interim results and audited annual results for the year ended 31 December 2006 have been reviewed by the Audit Committee, who are of the opinion that the preparation of such results, and as supported by the independent auditor in regard to the results announced, complied with applicable accounting standards and requirements and that adequate disclosures have been made.

During the year ended 31 December 2006, the Audit Committee has met with the independent auditor with no executive Directors present.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to advise the Group on tax compliance and related matters.

The fees paid and payable by the Group to PwC in respect of audit and non-audit services for the year ended 31 December 2006 are HK$1,152,000 and HK$590,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2006, the Directors have selected suitable accounting policies and have applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are pertinent to its operations and relevant to the financial statements; made judgements and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders; are set out in the Independent Auditor's Report on pages 32 and 33.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

Internal control systems have been designed to allow Directors to monitor the Group's overall financial position, safeguard its assets, provide reasonable assurance against fraud and errors, and to manage the risks in failing to achieve the Group's objectives. Executive Directors monitor the business activities closely and review monthly financial results operations. The Group from time to time updates and improves the internal controls.

The Group conducts a review of its system of internal control periodically to ensure the effective and adequate internal control systems. The Group convenes management meetings periodically to discuss financial, operational and risk management control. The Audit Committee also reviews the internal control systems and evaluates their adequacy, effectiveness and compliance on a regular basis.

The Board conducted a review of the Group's internal control system for the year ended 31 December 2006, including financial, operational and compliance control, and risk management functions. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and uses a number of formal communication channels to account to shareholders and investors for the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to make comments and exchange views with the Board; (iii) meetings are held with media and investors periodically; (iv) the Company replying to appropriate enquiries from shareholders in a timely manner; and (v) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

The Company's annual general meeting provides a suitable forum for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 21 days before the meeting and the said notice is also published in at least one English newspaper and one Chinese newspaper in Hong Kong and will also be available on the Stock Exchange's website. The Chairman and Directors will answer questions on the Group business at the meeting.

LOOKING FORWARD

The Company's shareholders' rights are at all times highly regarded by the Group. The Group will make sure the Company's shareholders know how to exercise their rights.

The Group will keep reviewing its corporate governance standards on a timely basis and the Board endeavours to take necessary actions to ensure compliance with the required practices and standards including the provisions of the Code introduced by the Stock Exchange.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company and provides corporate management services to its group companies. The activities of the subsidiaries set out in note 19 to the financial statements are primarily manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 34.

During the year, an interim dividend of HK3.2 cents per share, totalling HK$9,600,000, was paid by the Company. The Directors recommend the payment of a final dividend of HK3.8 cents per share, totalling HK$11,400,000. The proposed final dividend of HK3.8 cents per share is to be approved by shareholders at the 2007 Annual General Meeting scheduled to be held on 23 May 2007.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 31 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$263,684.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company at 31 December 2006, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$55,597,000 (2005: HK$53,125,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 91.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

Pursuant to a written resolution of the shareholders of the Company passed on 22 June 2005, a share option scheme (the "Share Option Scheme") was approved and adopted.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

For the purpose of the Share Option Scheme, participants include (i) any executive, non-executive or independent non-executive Director of the Group; (ii) any employee (whether full time or part time) of the Group; and (iii) any supplier and/or sub-contractor of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 15 July 2005, the date on which the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

SHARE OPTIONS (Continued)

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve – month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day;

(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 Commencement Date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 22 June 2005, being the date on which the Share Option Scheme is adopted.

SHARE OPTIONS (Continued)

Details of the share options granted and a summary of the movements of the outstanding share options during the year ended 31 December 2006 are as follows:

	Number of share options					
	Held at 1 January 2006	Granted during the year *(Note 1)*	Exercised during the year	Cancelled or lapsed during the year	Held at 31 December 2006	Exercise price per share *(HK$)*
Executive Directors						
Mr. Lam Yin Kee	–	3,000,000	–	–	3,000,000	1.11
Ms. Yeung Po Wah	–	3,000,000	–	–	3,000,000	1.11
Mr. Toshio Daikai	–	300,000	–	–	300,000	1.11
	–	6,300,000	–	–	6,300,000	
Other employees	–	7,200,000	–	–	7,200,000	1.11
	–	13,500,000	–	–	13,500,000	

Notes:

(1) The share options were granted on 27 September 2006 with an exercisable period of two years from 27 September 2006 to 26 September 2008. There are no vesting periods for these share options. The closing market price per share at the date preceding the date on which the share options were granted was HK$1.13.

(2) Subsequent to 31 December 2006, an aggregate of 2,499,000 share options were exercised by certain employees. The weighted average closing market price per share immediately before the date on which the share options were exercised was HK$3.00.

The value of the options granted during the year is HK$1,614,000, based on the Black-Scholes valuation model. The significant inputs into the model were share price of HK$1.10 at the grant date, exercise price shown above, standard deviation of expected share price returns of 20.50%, expected life of options of 2 years, expected dividend paid out rate of 3.18% and annual risk-free interest rate of 3.70%. The volatility measured as the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year prior to the grant date. The Black-Scholes model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Lam Yin Kee *(Chairman and Chief Executive)*
Ms. Yeung Po Wah
Mr. Toshio Daikai
Mr. William Peter Shelley (resigned on 1 January 2007)

Non-executive Director

Mr. Fan, William Chung Yue

Independent Non-executive Directors

Mr. Barry John Buttifant
Mr. Leung Kam Wah
Ms. Yeung Chi Ying

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Mr. Leung Kam Wah and Ms. Yeung Chi Ying shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Yin Kee, Ms. Yeung Po Wah and Mr. Toshio Daikai has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarised as follows:

(i) each service contract is of an initial term of three years commencing on 15 July 2005 and shall continue thereafter until terminated in accordance with the terms of the contracts. Under the contract, either party may terminate the contract at any time by giving to the other not less than three months' prior notice in writing;

(ii) the current monthly salary for each of Mr. Lam Yin Kee, Ms. Yeung Po Wah and Mr. Daikai Toshio are HK$166,320, HK$54,648 and HK$63,000 respectively, subject to annual increment of not more than 10% and discretionary bonus of not more than 10% of the Group's profit in aggregate; and

(iii) the Group provides Directors' accommodation to Mr. Lam Yin Kee and Mr. Toshio Daikai at a current monthly rental of HK$100,000 and HK$11,000 respectively. In addition, a monthly housing allowance of HK$12,000 was paid to Mr. William Peter Shelley until he resigned.

The non-executive Director and independent non-executive Directors were appointed for an initial term of one year commencing from 17 June 2005 and such appointments shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 11 to 13.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2006, the interests and short positions of each Director and Chief Executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the Issued Share Capital of the Company
Mr. Lam Yin Kee	Long positions	2,817,000	–	210,000,000*	212,817,000	70.94
Ms. Yeung Po Wah	Long positions	–	210,000,000*	–	210,000,000	70.00
Mr. Toshio Daikai	Long positions	801,000	–	–	801,000	0.27

* These shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an executive Director of the Company and the wife of Mr. Lam Yin Kee.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

(b) Share options of the Company

	Capacity	Number of options held	Number of underlying shares
Mr. Lam Yin Kee	Beneficial owner	3,000,000	3,000,000
Ms. Yeung Po Wah	Beneficial owner	3,000,000	3,000,000
Mr. Toshio Daikai	Beneficial owner	300,000	300,000

(c) Interests in associated corporation, Profit International Holdings Limited (Ordinary shares of US$1 each)

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the Issued Share Capital of the associated corporation
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.00
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.00

Saved as disclosed above, at no time during the year, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that at 31 December 2006, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives of the Company.

		Number of shares			
Name		**Personal interests**	**Nature of interest**	**Total**	**% of the Issued Share Capital of the Company**
Profit International Holdings Limited	Long positions	210,000,000	Beneficially owned	210,000,000	70.00
Mirae Asset Global Investment Management Limited	Long positions	16,860,000	Beneficially owned	16,860,000	5.62
Galaxy China Opportunities Funds	Long positions	22,386,000	Beneficially owned	22,386,000	7.46
Deutsche Bank Aktiengesellschaft	Long positions	19,995,000	Security interest	19,995,000	6.67

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 31 December 2006, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	4.0%
– five largest suppliers combined	14.7%
Sales	
– the largest customer	41.3%
– five largest customers combined	62.8%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Certain related party transaction as disclosed in note 37 to the financial statements also constituted connected transactions under the Listing Rules, and is required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transaction between a connected party (as defined in the Listing Rules) and the Company has been entered into and/or is ongoing for which relevant announcement, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

Exempted continuing connected transaction

The Group has rented a quarter as Directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$80,000 since 1 October 2004. Ms. Yeung Po Wah holds 60% of shareholding and is a director of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the wife of Mr. Lam Yin Kee. Therefore, the lease for renting the quarter constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios calculated in relation to the above connected transaction is less than 2.5% and the total annual consideration payable is less than HK$1,000,000, the transaction qualifies as a de minimis transaction pursuant to Rule 14A.31(2) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors of the Company.

The independent non-executive Directors of the Company confirmed that the aforesaid continuing connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

INDEPENDENT AUDITOR

The financial statements for the year ended 31 December 2006 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Yin Kee
Chairman

Hong Kong, 25 April 2007

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
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TO THE SHAREHOLDERS OF ALLTRONICS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 90, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 April 2007

Consolidated Income Statement

Year ended 31 December

	Note	2006 HK$'000	2005 HK$'000
Revenue	5	**592,318**	316,903
Cost of sales	6	**(461,263)**	(236,236)
Gross profit		**131,055**	80,667
Distribution costs	6	**(5,820)**	(4,489)
Administrative expenses	6	**(63,180)**	(39,702)
Other (losses)/gains	7	**(1,000)**	505
Operating profit		**61,055**	36,981
Finance costs – net	8	**(6,281)**	(2,224)
Share of loss of an associate	20	**(188)**	(812)
Profit before income tax		**54,586**	33,945
Income tax expense	12	**(9,439)**	(7,010)
Profit for the year		**45,147**	26,935
Attributable to:			
Equity holders of the Company		**43,785**	26,935
Minority interest		**1,362**	–
		45,147	26,935
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	14	**14.60**	8.98
– diluted	14	**14.43**	8.98
Dividends	15	**21,000**	15,000

The notes on pages 40 to 90 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**56,061**	48,361
Leasehold land and land use rights	*17*	**2,172**	2,222
Intangible asset	*18*	**11,672**	11,672
Investment in an associate	*20*	**–**	188
Available-for-sale financial assets	*21*	**3,238**	2,903
Prepayment of non-current assets		**4,822**	2,388
Deferred income tax assets	*33*	**53**	331
Total non-current assets		**78,018**	68,065
Current assets			
Inventories	*22*	**88,237**	74,401
Trade receivables	*23*	**84,634**	62,607
Prepayments, deposits and other receivables		**23,403**	6,987
Amount due from an associate	*20*	**2**	91
Amount due from a related company	*24*	**919**	807
Amount due from ultimate holding company	*25*	**29**	29
Amount due from minority shareholders of a subsidiary	*25*	**1,640**	1,340
Other financial assets at fair value through profit or loss	*26*	**10,458**	9,627
Pledged bank deposits	*36*	**2,432**	4,933
Cash and cash equivalents	*27*	**55,511**	91,052
Total current assets		**267,265**	251,874
Total assets		**345,283**	319,939
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*29*	**3,000**	3,000
Reserves			
Proposed final dividends	*15*	**11,400**	4,500
Others	*31(a)*	**149,444**	124,314
		163,844	131,814
Minority interest		**4,840**	3,258
Total equity		**168,684**	135,072

Consolidated Balance Sheet

As at 31 December

	Note	2006 HK$'000	2005 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	**15,695**	10,704
Deferred income tax liabilities	33	**1,522**	1,573
Total non-current liabilities		**17,217**	12,277
Current liabilities			
Trade payables	28	**56,474**	44,501
Accruals and other payables		**18,153**	15,034
Amount due to an associate	20	**–**	650
Current income tax liabilities		**22,912**	17,552
Borrowings	32	**61,843**	94,853
Total current liabilities		**159,382**	172,590
Total liabilities		**176,599**	184,867
Total equity and liabilities		**345,283**	319,939
Net current assets		**107,883**	79,284
Total assets less current liabilities		**185,901**	147,349

Approved by the Board of Directors on 25 April 2007

Lam Yin Kee
Director

Yeung Po Wah
Director

The notes on pages 40 to 90 are an integral part of these financial statements.

Balance Sheet

As at 31 December

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**1,237**	–
Current assets			
Prepayment, deposits and other receivables		**182**	167
Amount due from a subsidiary	19	**55,000**	1,470
Cash and cash equivalents	27	**4,118**	55,608
Total current assets		**59,300**	57,245
Total assets		**60,537**	57,245
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	**3,000**	3,000
Reserves			
Proposed final dividends	15	**11,400**	4,500
Others	31(b)	**45,811**	48,625
Total equity		**60,211**	56,125
LIABILITIES			
Current liabilities			
Accruals and other payables		**326**	1,120
Total equity and liabilities		**60,537**	57,245
Net current assets		**58,974**	56,125
Total assets less current liabilities		**60,211**	56,125

Approved by the Board of Directors on 25 April 2007

Lam Yin Kee
Director

Yeung Po Wah
Director

The notes on pages 40 to 90 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Company				
		Share capital	Other reserves	Retained earnings	Minority interest	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2005		500	1,624	49,919	–	52,043
Share issuance costs		–	(8,884)	–	–	(8,884)
Reversed upon Reorganisation		(500)	–	–	–	(500)
Issue of shares by way of placing and public offering		900	–	–	–	900
Share premium on issue of shares		–	71,100	–	–	71,100
Capitalisation of share premium for issue of new shares		2,100	(2,100)	–	–	–
Currency translation differences		–	427	–	–	427
Acquisition of a subsidiary		–	293	–	3,258	3,551
Profit for the year		–	–	26,935	–	26,935
Interim dividend paid		–	(10,500)	–	–	(10,500)
Balance at 31 December 2005		3,000	51,960	76,854	3,258	135,072
Balance at 1 January 2006 as per above		3,000	51,960	76,854	3,258	135,072
Fair value gain on available-for-sale financial assets		–	171	–	164	335
Currency translation differences		–	560	–	56	616
Employee share option scheme – value of employee services	*30*	–	1,614	–	–	1,614
Profit for the year		–	–	43,785	1,362	45,147
Final dividend relating to 2005	*15*	–	–	(4,500)	–	(4,500)
Interim dividend paid	*15*	–	–	(9,600)	–	(9,600)
Balance at 31 December 2006		**3,000**	**54,305**	**106,539**	**4,840**	**168,684**

The notes on pages 40 to 90 are an integral part of these financial statements

Consolidated Cash Flow Statement

Year ended 31 December

	Note	2006 *HK$'000*	2005 *HK$'000*
Cash flows from operating activities			
Cash generated from operations	34	**23,158**	16,823
Interest paid		**(9,504)**	(3,315)
PRC income tax paid		**(1,751)**	(144)
Hong Kong profits tax paid		**(2,328)**	(4,702)
Net cash generated from operating activities		**9,575**	8,662
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**–**	(15,483)
Increase in prepayment for non-current assets		**(2,434)**	(294)
Purchase of property, plant and equipment		**(16,054)**	(16,328)
Proceeds from sale of property, plant and equipment		**24**	771
Purchase of financial assets at fair value through profit or loss		**(31,381)**	(32,111)
Proceeds from sale of financial assets at fair value through profit or loss		**31,668**	40,045
Interest income from bank deposits		**3,223**	1,091
Interest income on other financial assets at fair value through profit or loss		**1,318**	473
Dividends received from other financial assets at fair value through profit or loss		**14**	60
Net cash used in investing activities		**(13,622)**	(21,776)
Cash flows from financing activities			
Capital element of finance lease payments		**(3,434)**	(663)
Dividends paid to Company's shareholders		**(14,100)**	(20,500)
Repayments of borrowings		**(44,669)**	(4,755)
Proceeds from borrowings		**54,085**	13,372
Decrease in pledged bank deposits		**2,501**	13,372
Increase in share issuance cost		**–**	(8,884)
Proceeds from issuance of shares		**–**	72,000
Net cash (used in)/generated from financing activities		**(5,617)**	63,942
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(9,664)**	50,828
Cash, cash equivalents and bank overdrafts at beginning of year		**54,238**	3,166
Effect of foreign exchange rate charges		**285**	244
Cash, cash equivalents and bank overdrafts at end of the year	27	**44,859**	54,238

The notes on pages 40 to 90 are an integral part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

Alltronics Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 17 June 2005. Following the completion of the public offering and placing of 90,000,000 shares of the Company as set out in the prospectus dated 30 June 2005 issued by the Company, the Company's shares were listed on the Main Board of the Stock Exchange on 15 July 2005 (the "Listing").

The Company is an investment holding company. The principal activities of the Group are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. Details of the activities of principal subsidiaries and an associate are set out in Notes 19 and 20 to the financial statements.

The principal place of business of the Company is at Room 1108, 11/F, Eastwood Centre, No. 5 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 April 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to published standards effective and new/revised standards and interpretations which are relevant to the Group's operations and are mandatory in 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts
HK(IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease

The adoption of new/revised HKAS 19 (Amendment), 21 (Amendment), 39 (Amendment), HKFRS 4 (Amendment) and HK(IFRIC) – Int 4 did not result in substantial changes to the accounting policies of the Group.

(b) New standards, amendments and interpretations relevant to the Group's operations that have been issued but are not yet effective for 2006 and have not been early adopted by the Group:

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

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not in a position to state whether they will result in substantial changes to the accounting policies of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (see Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses (Note 2.7). The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the exchange reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, furniture and fixtures, office equipment, plant and machinery, leasehold improvements and motor vehicles. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, as follows:

Buildings	2% – 20% or over the lease terms, whichever is shorter
Furniture and fixtures	9% – 20%
Office equipment	8% – 20%
Plant and machinery	9% – 20%
Leasehold improvements	16.67% – 20%
Motor vehicles	9% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables with maturities of less than 12 months after the balance sheet date are classified as trade and other receivables in the balance sheet (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(d) *Held-to-maturity financial assets*

The Group did not have any held-to-maturity financial assets as at both 31 December 2005 and 2006.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other (losses)/gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised as profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale financial assets are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits repayable on demand, bank deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are charged to the income statement in the year in which they are incurred.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) *Pension obligations*

The Group operates defined contribution retirement schemes for its Hong Kong and PRC employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the income statement represent contributions paid or payable by the Group to the schemes.

The Group's contributions to the defined contribution retirement schemes in Hong Kong are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations in the PRC, the PRC subsidiaries of the Group participate in respective government retirement benefit schemes are required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the income statement as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

2.18 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Sale of goods is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases

(a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) *Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk, cash flow interest-rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial assets and financial liabilities carried on the balance sheet include available-for-sale financial assets, financial assets at fair value through profit or loss, bank balances and cash, pledged bank deposits, trade receivable, deposits and other receivables, due from/(to) affiliate companies, bills payables, trade payables, trust receipts loans, bank overdraft and borrowings. The accounting policies on recognition and measurement of these items are disclosed in Note 2. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. Because of the simplicity of the financial structure and the current operations of the Group, hedging activities were not taken by management.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has certain investments in the People's Republic of China (the "PRC") operations, whose net assets are exposed to foreign currency translation risk. The Group does not presently hedge this foreign exchange exposure.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group engage in transactions mainly in HK dollars, US dollars and Renminbi to the extent possible. The Group currently does not hedge transactions undertaken in Renminbi but manages its exposure through constant monitoring to limit as much as possible the amount of its Renminbi exposures. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The finance department of the Group is responsible for monitoring and managing the net position in each foreign currency.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities except its bank deposits, bills payable, finance lease liabilities and bank borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arose from bank balances and bank borrowings. The Group regularly seeks out the most favourable interest rates available for its bank deposits and bank borrowings. Information relating to interest rates of the Group's bank balances, deposits and bank borrowings are disclosed in Notes 27 and 32, respectively.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(b) *Credit risk*

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. As at 31 December 2006, the Group's largest customer accounted for approximately 26% of total trade receivables (2005: 18%). This customer has an appropriate credit history and the Group does not consider there to be any significant credit risk in this regard.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the continuous growth in business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

3.2 Fair value estimation

The fair value of available-for-sale financial assets that are not openly traded is determined with reference to indicative market values provided by the issuers (Note 21).

The carrying value less impairment provision of trade receivables and trade payables approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

(b) Income taxes

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

(c) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have suffered an impairment, in accordance with the accounting policy stated in Notes 2.5 and 2.7. The recoverable amounts of property, plant and equipment are determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

(d) Estimated impairment provision for doubtful debts

The Group makes impairment provision for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) Estimated impairment provision for inventory

The Group makes provision for inventory based on consideration of obsolescence of raw materials and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventory and impairment provision in the year in which such estimate has been changed.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

	2006 *HK$'000*	2005 *HK$'000*
Turnover		
Sale of goods	**592,318**	316,903
Other income		
Interest income on other financial assets at fair value through profit or loss	**1,318**	473
Dividends from other financial assets at fair value through profit or loss	**14**	60
	593,650	317,436

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format in these consolidated financial statements because this is more relevant to the Group in making operating and financial decisions.

(a) Primary reporting format – business segment

During the year, the Group has been operating in one single business segment, namely the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segment

The Group's business segment operates in five main geographical areas, even though they are managed on a worldwide basis.

The Group's revenue arises mainly in places/countries within Hong Kong, the United States, Europe and PRC. Revenue is allocated based on the places/countries in which the customers are located.

Revenue

	2006	2005
	HK$'000	*HK$'000*
The United States	**406,798**	218,541
Europe	**39,245**	29,532
PRC	**25,297**	83
Hong Kong	**93,305**	49,178
Other countries	**27,673**	19,569
	592,318	316,903

Capital expenditure is allocated based on where the assets are located.

Capital expenditure

	2006	2005
	HK$'000	*HK$'000*
PRC	**18,977**	15,876
Hong Kong	**2,780**	452
	21,757	16,328

Total assets are allocated based on where the assets are located.

Total assets

	2006	2005
	HK$'000	*HK$'000*
PRC	**151,347**	130,542
Hong Kong	**193,936**	189,397
	345,283	319,939

6 EXPENSES BY NATURE

	2006 *HK$'000*	2005 *HK$'000*
Cost of inventories sold *(Note 22)*	**326,732**	184,442
Provision/(Reversal of provision) for impairment of inventories	**622**	(479)
Employee benefit expense – excluding Directors' emoluments *(Note 9)*	**83,977**	43,077
Employee benefit expense – Directors' emoluments *(Note 10)*	**9,083**	5,832
Depreciation *(Note 16)*		
– Owned fixed assets	**11,841**	6,845
– Leased fixed assets	**2,498**	357
Provision for impairment on receivables *(Note 23)*	**5,531**	–
Bad debts written-off	**1,370**	–
Amortisation of prepaid operating lease payments *(Note 17)*	**50**	50
Operating lease payments	**8,933**	4,526
Auditor's remuneration	**1,152**	862
Other expenses	**78,474**	34,915
Total cost of sales, distribution costs, and administrative expenses	**530,263**	280,427

7 OTHER (LOSSES)/GAINS

	2006 *HK$'000*	2005 *HK$'000*
Gain on disposals of other financial assets at fair value through profit or loss	**660**	1,993
Other financial assets at fair value through profit or loss – fair value gain/(loss)	**458**	(155)
Interest income on other financial assets at fair value through profit or loss	**1,318**	473
Dividends from other financial assets at fair value through profit or loss	**14**	60
Net foreign exchange loss	**(3,118)**	(1,218)
Loss on disposals of property, plant and equipment	**(25)**	(1,301)
Other (losses)/gains	**(307)**	653
	(1,000)	505

The interest and dividend income from other financial assets at fair value through profit or loss for the year ended 31 December 2006 and 31 December 2005 are derived from listed investments.

8 FINANCE COSTS – NET

	2006 HK$'000	2005 HK$'000
Interests on bank loans and bank overdrafts	**9,137**	3,279
Interest element of finance leases	**367**	36
Total finance costs	**9,504**	3,315
Less: Interest income from bank deposits	**(3,223)**	(1,091)
Finance costs – net	**6,281**	2,224

9 EMPLOYEE BENEFIT EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2006 HK$'000	2005 HK$'000
Wages and salaries	**76,147**	40,381
Pension costs – defined contribution plans *(Note 11)*	**923**	576
Staff welfare and allowances	**6,046**	2,120
Share-based payment expenses	**861**	–
	83,977	43,077

10 EMPLOYEE BENEFIT EXPENSE – DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits*	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Lam Yin Kee	–	2,061	650	960	359	12	4,042
Yeung Po Wah	–	646	500	–	358	12	1,516
Toshio Daikai	–	799	50	132	36	12	1,029
William Peter Shelley**	–	827	553	144	–	12	1,536
Non-executive Directors							
Fan Chung Yue, William	240	–	–	–	–	–	240
Barry John Buttifant	240	–	–	–	–	–	240
Leung Kam Wah	240	–	–	–	–	–	240
Yeung Chi Ying	240	–	–	–	–	–	240

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits*	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Lam Yin Kee	–	1,900	–	960	–	12	2,872
Yeung Po Wah	–	598	–	–	–	12	610
Toshio Daikai	–	780	–	132	–	–	912
William Peter Shelley**	–	766	–	144	–	12	922
Non-executive Directors							
Fan Chung Yue, William	129	–	–	–	–	–	129
Barry John Buttifant	129	–	–	–	–	–	129
Leung Kam Wah	129	–	–	–	–	–	129
Yeung Chi Ying	129	–	–	–	–	–	129

* Other benefits represent quarters and housing allowances for the Directors.

** William Peter Shelley resigned as Director of the Group on 1 January 2007.

10 EMPLOYEE BENEFIT EXPENSE – DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: two) individual during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,028**	1,650
Share-based payment expenses	**72**	–
Pension costs – defined contribution plan	**12**	24
Bonus	**100**	–
	1,212	1,674

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
Nil to HK$1,000,000	–	2
HK$1,000,001 – HK$1,500,000	**1**	–

11 PENSIONS – DEFINED CONTRIBUTION PLANS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong incorporated companies within the Group and their employees makes monthly contributions to the scheme at 5% of the employees' earnings up to a maximum of HK$1,000 per month per employee as defined under the Mandatory Provident Scheme Ordinances.

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local governments, which is a defined contribution plan. The Group and its employees contribute approximately 8% and 5%, respectively, of the salary as specified by the relevant local governments, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

For the year ended 31 December 2006, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$971,000 (2005: HK$612,000). As at 31 December 2006, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions under the above schemes.

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**7,132**	6,366
– PRC enterprise income tax *(Note a)*	**2,052**	828
Under-provision in prior years	**28**	–
Deferred income tax *(Note 33)*	**227**	(184)
	9,439	7,010

12 INCOME TAX EXPENSE (Continued)

Note:

(a) PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. The Company has three subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), Alltronics Tech. Mftg. Limited ("ATM") and 南盈塑膠實業（深圳）有限公司（「南盈」）. During the year, Shenzhen Allcomm, ATM and 南盈 are subject to a standard income tax rate of 15% in accordance with the relevant applicable tax laws. 南盈 is entitled to full exemption of PRC income tax for the two years ended 31 December 2005, followed by a 50% reduction of PRC income tax (i.e. 7.5%) for the three years ending 31 December 2008.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Company's home country tax rate as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before share of loss of an associate	**54,774**	34,757
Calculated at a taxation rate of 17.5%	**9,585**	6,082
Effect of different taxation rates in other countries	**(19)**	(151)
Income not subject to taxation	**(1,312)**	(731)
Expenses not deductible for tax purposes	**1,323**	1,456
Under-provision in prior years	**28**	–
Tax losses for which no deferred income tax asset was recognised	**(157)**	–
Temporary differences not recognised	**(96)**	77
Others	**87**	277
	9,439	7,010

The weighted average applicable tax rate was 16.9% (2005: 17.1%). The decrease is caused by a change in the profitability of the Company's subsidiaries in the respective countries.

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$16,572,000 (2005: HK$7,448,000).

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year (Note 29).

	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**43,785**	26,935
Number of ordinary shares in issue (thousand)	**300,000**	300,000
Basic earnings per share (HK cents per share)	**14.60**	8.98

(b) Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**43,785**	26,935
Number of ordinary shares in issue (thousand)	**300,000**	300,000
Adjustments for share options (thousand)	**3,514**	–
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**303,514**	300,000
Diluted earnings per share (HK cents per share)	**14.43**	8.98

15 DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid of HK3.2 cents (2005: HK2 cents) per ordinary share	**9,600**	6,000
Special interim dividend paid of HK$nil (2005: HK1.5 cents) per ordinary share *(Note a)*	**–**	4,500
Proposed final dividend of HK3.8 cents (2005: HK1.5 cents) per ordinary share *(Note b)*	**11,400**	4,500
	21,000	15,000

Notes:

(a) In recognition of the continued support from the shareholders and the successful listing of the Company's share on the Main Board of the Stock Exchange on 15 July 2005, the Board declared and paid a special interim divided of HK1.5 cents per ordinary share for the year ended 31 December 2005.

(b) A final dividend in respect of 2006 of HK3.8 cents per share, amounting to a total of HK$11,400,000, is to be proposed at the 2007 Annual General Meeting on 23 May 2007. These financial statements do not reflect this dividend payable but account for it as proposed dividends in reserves.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005							
Cost, as previously reported	11,008	6,575	7,232	15,980	14,132	4,294	59,221
Reclassification to land use rights *(Note 17)*	(2,427)	–	–	–	–	–	(2,427)
Cost, as restated	8,581	6,575	7,232	15,980	14,132	4,294	56,794
Accumulated depreciation	(1,041)	(4,000)	(4,319)	(8,205)	(7,576)	(2,173)	(27,314)
Reclassification to land use rights *(Note 17)*	155	–	–	–	–	–	155
Net book amount, as restated	7,695	2,575	2,913	7,775	6,556	2,121	29,635
Year ended 31 December 2005							
Opening net book amount, as restated	7,695	2,575	2,913	7,775	6,556	2,121	29,635
Exchange differences	–	37	25	37	48	8	155
Acquisition of a subsidiary	–	287	373	9,458	1,046	353	11,517
Additions	–	1,939	1,245	3,083	9,564	497	16,328
Disposals	–	(2)	(51)	(283)	(1,606)	(130)	(2,072)
Depreciation	(174)	(511)	(864)	(2,479)	(2,440)	(734)	(7,202)
Closing net book amount	7,521	4,325	3,641	17,591	13,168	2,115	48,361

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2005							
Cost	8,581	11,597	9,533	48,665	23,503	4,533	106,412
Accumulated depreciation	(1,060)	(7,272)	(5,892)	(31,074)	(10,335)	(2,418)	(58,051)
Net book amount	7,521	4,325	3,641	17,591	13,168	2,115	48,361
Year ended 31 December 2006							
Opening net book amount	**7,521**	**4,325**	**3,641**	**17,591**	**13,168**	**2,115**	**48,361**
Exchange differences	**–**	**64**	**30**	**80**	**146**	**11**	**331**
Additions	**–**	**1,757**	**3,078**	**9,146**	**5,512**	**2,264**	**21,757**
Disposals	**–**	**–**	**(15)**	**(34)**	**–**	**–**	**(49)**
Depreciation	**(174)**	**(998)**	**(1,243)**	**(7,171)**	**(3,726)**	**(1,027)**	**(14,339)**
Closing net book amount	**7,347**	**5,148**	**5,491**	**19,612**	**15,100**	**3,363**	**56,061**
At 31 December 2006							
Cost	**8,581**	**13,497**	**12,675**	**57,891**	**29,300**	**6,826**	**128,770**
Accumulated depreciation	**(1,234)**	**(8,349)**	**(7,184)**	**(38,279)**	**(14,200)**	**(3,463)**	**(72,709)**
Net book amount	**7,347**	**5,148**	**5,491**	**19,612**	**15,100**	**3,363**	**56,061**

In 1998, the Group entered into an arrangement with 2 independent third parties (the "Partners") for the development of certain manufacturing premises for the Group's use and staff quarters in Shenzhen and the Group's attributable interest in these buildings is 60%. These buildings are accounted for as jointly controlled assets of the Group.

As at 31 December 2006, the aggregate cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to HK$13,775,000 (2005: HK$7,054,000) and HK$5,917,000 (2005: HK$3,011,000), respectively.

Depreciation expenses of HK$12,469,000 (2005: HK$5,225,000) has been charged in cost of inventories sold and HK$1,870,000 (2005: HK$1,977,000) in administrative expenses.

17 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,172**	2,222

	2006	2005
	HK$'000	*HK$'000*
Opening net book amount	**2,222**	–
Reclassification from property, plant and equipment *(Note 16)*	**–**	2,427
Accumulated amortisation *(Note 16)*	**–**	(155)
Opening net book amount, as restated	**2,222**	2,272
Amortisation of prepaid operating lease payment *(Note 6)*	**(50)**	(50)
Closing net book amount	**2,172**	2,222

18 INTANGIBLE ASSET

Goodwill:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Cost and net book amount		
At the beginning of the year	**11,672**	–
Reclassification from investment in an associate *(Note 20)*	**–**	3,993
Acquisition of a subsidiary	**–**	7,679
At the end of the year	**11,672**	11,672

The goodwill relates to the excess of consideration paid for and the fair value of net assets acquired from the acquisition of Southchina Engineering and Manufacturing Limited ("Southchina"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. Management considers Southchina as one cash-generating unit (the "CGU"). The recoverable amount of the CGU is determined based on a value-in-use calculation. This calculation uses pre-tax cashflow projections based on financial budgets of Southchina, approved by management covering a five-year period. The pre-tax discount rate of 9.5% applied to the cash flow projections reflects specific risks relating to the business. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the goodwill.

Key assumptions used for value-in-use calculations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted turnover, operating expenses and finance costs were projected with reference to the expected earnings from manufacturing of plastic moulds, plastic and electronic accessories.

(b) For the business environment, there will be no change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any other countries in which Southchina operates.

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE FROM A SUBSIDIARY

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted investments, at cost *(Note a)*	**1,237**	–
Due from a subsidiary *(Note b)*	**55,000**	1,470

Notes:

(a) The following is a list of subsidiaries at 31 December 2006:

Name	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued share capital and debt securities**	**Interest held**
Alltronics (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	*100%
Alltronics Tech. Mftg. Limited	Hong Kong, limited liability company	Research and development, manufacturing and trading of electronic products in Hong Kong and PRC	500,000 ordinary shares of HK$1 each	100%
Allcomm (H.K.) Limited	Hong Kong, limited liability company	Investment holding and trading of electronic products in Hong Kong	2 ordinary shares of HK$1 each	100%
Shenzhen Allcomm Electronic Co. Ltd.	PRC, limited liability company	Manufacturing of electronic products in PRC	Registered capital of US$1,728,397	100%
Actronics Manufacturing Limited	PRC, limited liability company	Dormant	Registered capital of US$1,200,000	100%

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE FROM A SUBSIDIARY (Continued)

Notes: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Southchina Engineering and Manufacturing Limited	Hong Kong, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	1,000,000 ordinary shares of HK$1 each	51%
南盈塑膠實業（深圳）有限公司	PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$1,700,000	51%
Quant Electronics (HK) Limited	Hong Kong, limited liability company	Dormant	3,000,000 ordinary shares of HK$1 each	51%

* Shares held directly by the Company

(b) The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

20 INVESTMENT IN AN ASSOCIATE AND AMOUNT DUE FROM/(TO) AN ASSOCIATE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**188**	6,646
Share of loss	**(188)**	(812)
	–	5,834
Acquisition of further equity interest in Southchina (the "Acquisition") *(Note a)*	**–**	(1,841)
Reclassification of goodwill as a result of the Acquisition *(Note 18)*	**–**	(3,993)
Addition as a result of the Acquisition	**–**	188
End of the year	**–**	188
Due from an associate *(Note b)*	**2**	91
Due to an associate *(Note c)*	–	(650)

20 INVESTMENT IN AN ASSOCIATE AND AMOUNT DUE FROM/(TO) AN ASSOCIATE (Continued)

As at 31 December 2006, the Group's interest in an associate, which is unlisted, was as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenues	Loss for the year	Interest indirectly held
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
TSC Manufacturing Limited ("TSC") *(Note d)*	3,000,000 ordinary shares of HK$1 each	Hong Kong	126	1,611	240	1,734	20.4%

Notes:

(a) In December 2005, the Group acquired a further 26% equity interest in Southchina and Southchina became a 51% indirectly owned subsidiary of the Group since then.

(b) The amount represented amount due from TSC and is unsecured, bears interest at prime rate plus 1% and repayable on demand.

(c) The balance due to an associate as at 31 December 2005 was unsecured, interest-free and with normal credit terms of 30 to 60 days.

(d) TSC has ceased business and remained dormant since 1 July 2006.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Unlisted capital guaranteed funds in Hong Kong:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**2,903**	–
Net gains transferred to equity	**335**	–
Acquisition of subsidiary	**–**	2,903
End of the year	**3,238**	2,903

There were no disposal or impairment provision on available-for-sale financial assets in 2006 or 2005.

As at 31 December 2006, available-for-sale financial assets with an aggregate carrying amount of HK$3,238,000 (2005: HK$2,903,000) were pledged to banks to secure loan and overdraft facilities granted to Southchina (Note 36).

As these capital guaranteed funds are not publicly traded and in the absence of readily available information to determine the fair values of these capital guaranteed funds, the Group has adopted the indicative market value provided by the issuers as its best estimate of the fair values of these capital guaranteed funds.

22 INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**55,087**	44,981
Work in progress	**15,702**	12,641
Finished goods	**17,448**	16,779
	88,237	74,401

The cost of inventories recognised as an expense and included in cost of inventories sold amounted to HK$326,732,000 (2005: HK$184,442,000).

23 TRADE RECEIVABLES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**90,318**	62,760
Less: provision for impairment of receivables	**(5,684)**	(153)
	84,634	62,607

The Group's sales to corporate customers are entered into on credit terms of up to 90 days, except for certain credit worthy customers to whom a longer credit period is allowed. The ageing analysis of trade receivables at the balance sheet dates is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**49,095**	29,904
31 – 60 days	**19,455**	22,475
61 – 90 days	**9,440**	5,459
91 – 120 days	**3,911**	3,097
121 – 365 days	**2,584**	1,441
Over 365 days	**149**	231
	84,634	62,607

Trade receivables of HK$5,531,000 (2005: HK$Nil) were impaired for the year ended 31 December 2006. The creation of provision for impaired receivables have been included in administrative expenses in the income statement (Note 6).

24 AMOUNT DUE FROM A RELATED COMPANY

The balance represented trade receivable from a related company, Maruman Products Co. Ltd. ("Maruman") which is unsecured, interest-free with a credit term of 60 days. Mr. Lam Yin Kee, the Chairman and an executive Director of the Group, has a 24.7% equity interest in Maruman.

25 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY AND DUE FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The balances due from ultimate holding company and due from minority shareholders of a subsidiary were unsecured, interest-free and repayable on demand.

26 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed securities:		
– Equity securities – Hong Kong, at market values	**10,458**	9,627

The carrying amounts of the above financial assets are classified as follows:

	2006	2005
	HK$'000	*HK$'000*
Held for trading	**10,458**	9,627

Changes in fair values of financial assets at fair value through profit or loss are recorded in other (losses)/gains, in the income statement (Note 7).

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and on hand	**40,556**	24,447	**4,118**	5,305
Short-term bank deposits	**14,955**	66,605	**–**	50,303
	55,511	91,052	**4,118**	55,608

The effective interest rate on short-term bank deposits was 3.75% (2005: 1.27%); these deposits have a maturity period of 30 days to 3 months (2005: 30 days to 3 months).

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**55,511**	91,052	**4,118**	55,608
Bank overdrafts *(Note 32)*	**(10,652)**	(36,814)	**–**	–
	44,859	54,238	**4,118**	55,608

The Group's bank balances and cash of approximately HK$5,501,000 and HK$5,007,000 as at 31 December 2006 and 2005, respectively, were denominated in Renminbi and kept with banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

28 TRADE PAYABLES

The ageing analysis of the trade payables were as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**23,551**	22,022
31 – 60 days	**20,122**	18,514
61 – 90 days	**7,911**	2,420
91 – 120 days	**2,570**	372
121 – 365 days	**2,200**	818
Over 365 days	**120**	355
	56,474	44,501

29 SHARE CAPITAL

	Group and Company	
	Number of shares	**Nominal value**
		HK$'000
Authorised share capital		
At 1 January 2005 (ordinary shares of HK$0.1 each)	5,000,000	500
Subdivision of one share of HK$0.1 each into 10 shares of HK$0.01 each *(Note a)*	50,000,000	500
Increase in authorised share capital *(Note c)*	9,950,000,000	99,500
At 31 December 2005 and 2006	10,000,000,000	100,000

	Number of shares	**Nominal value**
		HK$'000
Issued and fully paid		
At 1 January 2005	2	–
Subdivision of one share of HK$0.1 each into 10 shares of HK$0.01 each *(Note a)*	20	–
Shares issued for acquisition of Alltronics (BVI) Limited *(Note b)*	980	9.8
Credited as fully paid the 20 shares already issued *(Note b)*	–	0.2
Issue of shares upon initial public offering *(Note d)*	90,000,000	900,000
Shares credited as fully paid pursuant to the Reorganisation *(Note e)*	209,999,000	2,099,990
At 31 December 2005 and 2006	300,000,000	3,000,000

29 SHARE CAPITAL (Continued)

Notes:

(a) On 17 June 2005, every issued and unissued share of HK$0.1 each in the share capital of the Company was subdivided into 10 shares of HK$0.01 each such that the Company had an authorised share capital of HK$500,000 divided into 50,000,000 shares of HK$0.01 each.

(b) On 17 June 2005, in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Alltronics (BVI) Limited of 100 shares of US$1.00 each, which was satisfied by the Company (i) allotting and issuing 980 new shares of HK$0.01 each, credited as fully paid, to the then shareholders of Alltronics (BVI) Limited, and (ii) crediting as fully paid the 20 shares of HK$0.01 each as already issued in nil paid on 18 August 2003.

(c) On 22 June 2005, the Company increased its authorised share capital from HK$500,000 to HK$100,000,000 by the creation of an additional 9,950,000,000 shares of HK$0.01 each.

(d) On 15 July 2005, the Company issued 90,000,000 new shares of HK$0.01 each at HK$0.8 per share by way of placing and public offering in connection with the Listing, raising net proceeds of approximately HK$61 million.

(e) Immediately after the Listing, 209,999,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par value to the then existing shareholders of the Company, by capitalisation of HK$2,099,990 from the share premium account.

30 SHARE-BASED PAYMENT TRANSACTIONS

On 22 June 2005, the Company adopted a share option scheme (the "Share Option Scheme") for the primary purpose of providing incentives or rewards to employees and Directors of the Company or any of its subsidiaries and any supplier and/or sub-contractor of the Group (the Participants") for their contributions or potential contributions to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 15 July 2005, the listing date. The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded. Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve-month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

30 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), 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 Commencement Date.

As at 31 December 2006, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 13,500,000 (2005: Nil), representing 4.50% (2005: Nil) of the total number of shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by employees and Directors and movements in such holding during the year:

	Number of share options					
	Held at 1 January 2006	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Held at 31 December 2006	Exercise price per share *(HK$)*
Executive Directors						
Lam Yin Kee	–	3,000,000	–	–	3,000,000	1.11
Yeung Po Wah	–	3,000,000	–	–	3,000,000	1.11
Toshio Daikai	–	300,000	–	–	300,000	1.11
	–	6,300,000	–	–	6,300,000	
Other employees	–	7,200,000	–	–	7,200,000	1.11
	–	13,500,000	–	–	13,500,000	

The share options were granted on 27 September 2006 with an exercisable period of two years from 27 September 2006 to 26 September 2008. There are no vesting periods for these share options. The closing market price per share at the date preceding the date on which the share options were granted was HK$1.13.

The estimated fair value of the options granted was approximately HK$1,614,000 and has been recognised in the consolidated income statement for the year ended 31 December 2006, with a corresponding increase in share option reserve in equity. Out of the total expense recognised, approximately HK$861,000 (2005: Nil) was related to options granted to the Group's employees and shown as staff costs (Note 9), and the remaining balance of approximately HK$753,000 represents share option expense for Directors (Note 10).

30 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The Company has recognised share option expense of HK$377,000 for the year ended 31 December 2006 (2005: Nil) in relation to the share options attributable to Directors and employees of the Company. The remaining costs of HK$1,237,000 were borne by the main operating subsidiaries of the Company (2005: Nil).

The fair value of the share options granted during the year ended 31 December 2006 was determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Exercise price	HK$1.11
Closing share price on date of grant	HK$1.10
Expected life	Two years
Expected volatility	20.50%
Expected dividend yield	3.18%
Risk free rate	3.70%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the period of one year prior to the date of grant.

Subsequent to 31 December 2006, an aggregate of 2,499,000 share options were exercised by certain employees. The weighted average closing market price per share immediately before the date on which the share options were exercised was HK$3.00.

No share option was granted during the year ended 31 December 2005.

31 RESERVES

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Share issuance costs HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2005	–	5,300	(3,806)	130	–	–	49,919	51,543
Share issuance costs	–	–	(8,884)	–	–	–	–	(8,884)
Issue of shares by way of placing and public offer	71,100	–	–	–	–	–	–	71,100
Capitalisation of share premium for issue of new shares *(Note 29(e))*	(2,100)	–	–	–	–	–	–	(2,100)
Reclassification of accounts	(12,690)	–	12,690	–	–	–	–	–
Currency translation differences	–	–	–	427	–	–	–	427
Acquisition of a subsidiary	–	499	–	–	(206)	–	–	293
Profit for the year	–	–	–	–	–	–	26,935	26,935
Interim dividend paid	(10,500)	–	–	–	–	–	–	(10,500)
Balance at 31 December 2005	45,810	5,799	–	557	(206)	–	76,854	128,814
Balance at 1 January 2006, as per above	45,810	5,799	–	557	(206)	–	76,854	128,814
Fair value gain on available-for-sale financial assets *(Note 21)*	–	–	–	–	171	–	–	171
Currency translation differences	–	–	–	560	–	–	–	560
Employee share option scheme – value of employee services *(Note 30)*	–	–	–	–	–	1,614	–	1,614
Profit for the year	–	–	–	–	–	–	43,785	43,785
Final dividend relating to 2005	–	–	–	–	–	–	(4,500)	(4,500)
Interim dividend paid	–	–	–	–	–	–	(9,600)	(9,600)
Balance at 31 December 2006	**45,810**	**5,799**	**–**	**1,117**	**(35)**	**1,614**	**106,539**	**160,844**

31 RESERVES (Continued)

(b) Company

	Share premium	Share option reserve	(Accumulated loss)/ Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2005	–	–	(133)	(133)
Issue of shares by way of placing and public offer	71,100	–	–	71,100
Capitalisation of share premium for issue of new shares *(Note 29(e))*	(2,100)	–	–	(2,100)
Reallocation of share issuance costs from subsidiary	(12,690)	–	–	(12,690)
Profit for the year	–	–	7,448	7,448
Interim dividend paid	(10,500)	–	–	(10,500)
Balance at 31 December 2005	45,810	–	7,315	53,125
Balance at 1 January 2006, as per above	45,810	–	7,315	53,125
Employee share option scheme – value of employee services *(Note 30)*	–	1,614	–	1,614
Profit for the year	–	–	16,572	16,572
Final dividend relating to 2005	–	–	(4,500)	(4,500)
Interim dividend paid	–	–	(9,600)	(9,600)
Balance at 31 December 2006	**45,810**	**1,614**	**9,787**	**57,211**

32 BORROWINGS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Bank loans, secured *(Note a)*	**30,831**	21,415
Obligations under finance leases *(Note b)*	**5,568**	3,299
Bills payable, secured	**30,487**	42,819
Trust receipt loans, secured	**–**	1,210
Bank overdrafts, secured	**10,652**	36,814
Total borrowings, wholly repayable within five years	**77,538**	105,557
Current portion of borrowings	**(61,843)**	(94,853)
Long-term borrowings	**15,695**	10,704

Notes:

(a) Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 36.

The Group's bank loans were repayable as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	**17,857**	12,056
In the second year	**10,845**	5,719
In the third to fifth year	**2,129**	3,640
	30,831	21,415

(b) The Group's finance lease liabilities were repayable as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	**3,169**	2,112
In the second year	**2,024**	1,268
In the third to fifth year	**1,240**	123
	6,433	3,503
Future finance charges on finance leases	**(865)**	(204)
Present value of finance lease liabilities	**5,568**	3,299

32 BORROWINGS (Continued)

Notes: (Continued)

The present value of finance lease liabilities is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**2,847**	1,954
In the second year	**1,865**	1,224
In the third to fifth year	**856**	121
	5,568	3,299

(c) The effective interest rates at the balance sheet date were as follows:

	2006	**2005**
Bank overdrafts	**8.6%**	8.0%
Bank loans	**7.1%**	6.2%
Obligations under finance leases	**7.2%**	4.9%

33 DEFERRED INCOME TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% for the year.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(53)**	(331)
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**1,522**	1,573

33 DEFERRED INCOME TAX (Continued)

The gross movement on the deferred income tax account is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**1,242**	1,281
Acquisition of a subsidiary	**–**	145
Charged/ (credited) to the consolidated income statement *(Note 12)*	**227**	(184)
End of the year	**1,469**	1,242

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Tax losses	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2005	–	–	–
Credited to the income statement	–	(27)	(27)
Acquisition of a subsidiary	(235)	(69)	(304)
At 31 December 2005	(235)	(96)	(331)
Charged to the income statement	235	43	278
At 31 December 2006	**–**	**(53)**	**(53)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2006, the Group has no unrecognised tax losses to carry forward against future taxable income.

Deferred tax liabilities

	Accelerated tax depreciation	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2005	1,208	73	1,281
Credited to the income statement	(84)	(73)	(157)
Acquisition of a subsidiary	449	–	449
At 31 December 2005	1,573	–	1,573
Credited to the income statement	(51)	–	(51)
At 31 December 2006	**1,522**	**–**	**1,522**

34 CASH GENERATED FROM OPERATIONS

	2006 *HK$'000*	2005 *HK$'000*
Profit before income tax	**54,586**	33,945
Adjustments for:		
Depreciation *(Note 16)*	**14,339**	7,202
Amortisation of prepaid operating lease payments *(Note 17)*	**50**	50
Loss on disposals of property, plant and equipment *(Note 7)*	**25**	1,301
Gain on disposals of other financial assets at fair value through profit or loss *(Note 7)*	**(660)**	(1,993)
Fair value (gain)/loss on other financial assets at fair value through profit or loss *(Note 7)*	**(458)**	155
Provision for impairment of trade receivables *(Note 23)*	**5,531**	–
Share-based payments *(Note 30)*	**1,614**	–
Interest income on other financial assets at fair value through profit or loss *(Note 7)*	**(1,318)**	(473)
Dividends from other financial assets at fair value through profit or loss *(Note 7)*	**(14)**	(60)
Finance costs – net *(Note 8)*	**6,281**	2,224
Share of loss of an associate *(Note 20)*	**188**	812
	80,164	43,163
Changes in working capital:		
Trade receivables	**(27,558)**	(24,005)
Prepayments, deposits and other receivables	**(16,416)**	(2,902)
Inventories	**(13,836)**	(22,788)
Amount due from an associate	**89**	(91)
Amount due from ultimate holding company	**–**	(29)
Amount due from minority shareholders of a subsidiary	**(300)**	–
Amount due from a related company	**(112)**	860
Bills payable	**(12,332)**	8,779
Amount due to an associate	**(650)**	2,411
Trade payables	**11,973**	9,965
Accruals and other payables	**3,346**	2,232
Trust receipt loans	**(1,210)**	(772)
Cash generated from operations	**23,158**	16,823

Notes to the Financial Statements

35 COMMITMENTS – GROUP

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2006	2005
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**3,012**	3,068
Authorised but not contracted for	**716**	32,240
	3,728	35,308

(b) Financial commitment for investment in a subsidiary

During the year ended 31 December 2004, the Group set up a wholly owned foreign investment enterprise in the PRC with a registered capital of US$1,200,000. As at 31 December 2006 and 31 December 2005, the paid up capital of this entity amounted to US$180,000. The remaining US$1,020,000 has not been paid up as at 31 December 2006 as the Group is in the process of deregistering this entity.

(c) Operating lease commitments

The Group leases various offices, warehouses and quarters under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
	HK$'000	*HK$'000*
Not later than 1 year	**10,809**	10,540
Later than 1 year and not later than 5 years	**19,542**	18,600
Later than 5 years	**119**	3,409
	30,470	32,549

36 BANKING FACILITIES

As at 31 December 2006, the Group's total available banking facilities amounted to approximately HK$261 million (2005: HK$223 million), of which approximately HK$189 million (2005: HK$122 million) was unutilised. The facilities were secured by the following:

(a) corporate guarantees given by the Company;

(b) pledge of the Group's fixed deposits of HK$2.4 million (2005: HK$4.9 million);

(c) available-for-sale financial assets with carrying value totaling approximately HK$3.2 million (2005: HK$2.9 million); and

(d) the Group's trade receivables of HK$815,000 (2005: HK$1,402,000).

The banking facilities granted to Southchina are also secured by personal guarantees given by Mr. Lam Yin Kee, a Director of the Company and other minority shareholders of Southchina.

37 RELATED PARTY TRANSACTIONS

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 70% of the Company's shares. In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company. The remaining 30% of the shares are widely held.

(a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Sale of goods to Maruman *(i)*	**6,772**	19,129
Sale of goods to Southchina *(ii)*	**–**	2,424
Purchases of plastic components from Southchina *(ii)*	**–**	26,711
Mould expenses paid to Southchina *(ii)*	**–**	1,292
Rental expenses paid to Profit Home Investments Limited *(iii)*	**960**	960
Purchases of property, plant and equipment from TSC *(iv)*	**2,160**	–

(i) Maruman Products Co. Ltd. ("Maruman") is a company incorporated in Japan and owned as to 24.7% by Mr. Lam Yin Kee, a Director of the Company. Maruman is engaged in the business of trading in general merchandise.

(ii) Southchina was a 25% owned associate of the Group until 16 December 2005, when the Group acquired a further 26% equity interest in Southchina. Inter-company transactions with Southchina were eliminated in these consolidated financial statements since then.

(iii) Ms. Yeung Po Wah is a Director of the Company, and has a 60% equity interest in Profit Home Investments Limited.

(iv) TSC is a 20.4% owned associate of the Group (Note 20).

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Year end balances arising from the related parties transactions as disclosed in note (a) above were as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Amount due from a related company *(Note 24)*	**919**	807

Amount due from a related company is aged less than one year and is unsecured, non-interest bearing and with normal credit terms of 60 days.

(c) **Key management compensation**

	2006	2005
	HK$'000	*HK$'000*
Directors' fees	**960**	517
Salaries and other short-term employee benefits	**13,666**	8,760
Share-based payments	**1,614**	–
Post-employment benefits	**144**	96
	16,384	9,373

38 EVENTS AFTER THE BALANCE SHEET DATE

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law changes the corporate income tax rate to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, on the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Group will continue to evaluate the impact as more detailed regulations are announced.

Five-year Financial Summary

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2006:

	Year ended 31 December				
	2006	2005	2004	2003	2002
Results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			Restated	Restated	Restated
Revenue	**592,318**	316,903	292,447	252,760	176,802
Profit before income tax	**54,586**	33,945	47,149	44,193	25,716
Income tax expense	**(9,439)**	(7,010)	(8,479)	(14,056)	(2,826)
Profit for the year	**45,147**	26,935	38,670	30,137	22,890
Minority interest	**(1,362)**	–	–	–	–
Profit attributable to equity holders of the Company	**43,785**	26,935	38,670	30,137	22,890
Assets and liabilities					
Total assets	**345,283**	319,939	163,266	167,200	135,665
Total liabilities	**176,599**	184,867	(111,223)	(126,272)	(93,623)
Total equity	**168,684**	135,072	52,043	40,928	42,042

Five-year Financial Summary

Notes:

(1) The results of the Group for each of the three years ended 31 December 2004 and its assets and liabilities as at 31 December 2004, 2003 and 2002 have been prepared on a combined basis as if the current group structure had been in existence throughout the years concerned.

(2) The results of the Group for each of the three years ended 31 December 2004 have been restated as a result of the adoption of the new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

(3) The results of the Group for each of the two years ended 31 December 2006 and its assets and liabilities as at 31 December 2006 and 2005 are those set out on pages 34 to 36 of this report and are presented on the basis as set out in note 2 to the financial statements.