# TC INTERCONNECT HOLDINGS LIMITED
# 達進精電控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 515

CELEBRATING 20 YEARS OF EXCELLENCE

Annual Report
2007

# Contents

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Wong Wing Choi *(Chief Executive Officer with effect from 2 January 2007)*
Mr. Pak Shek Kuen *(appointed on 2 January 2007)*

## NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi
Mr. Cheung Kwok Ping *(appointed on 2 January 2007)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

## REMUNERATION COMMITTEE

Mr. Yeung Hoi Shan
Mr. Cheung Kwok Ping
Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Pak Shek Kuen, *CPA FCCA*

## AUTHORISED REPRESENTATIVES

Mr. Yeung Hoi Shan
Mr. Pak Shek Kuen, *CPA FCCA*

## HEAD OFFICE

31/F, Aitken Vanson Centre
61 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## COMPLIANCE ADVISOR

CAF Securities Company Limited

## AUDITORS

Deloitte Touche Tohmatsu

## PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank, Ltd
China Construction Bank Corporation Hong Kong Branch
Citic Ka Wah Bank Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen’s Road East
Wanchai
Hong Kong

## STOCK CODE

515

## WEB-SITE

www.tatchun.com

Dear Shareholders,

On behalf of the board of directors (the "Board") of TC Interconnect Holdings Limited ("TC Interconnect" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's result for the year ended 31 December 2007.

The Group sustained a steady growth in 2007. The revenue of the Company for the year ended 31 December 2007 was HK$741.0 million, representing an increase of 20.9% from the previous year. The net profit attributable to equity shareholders were approximately HK$60.0 million, representing an increase of 53.5% from the previous year. The results reflected the relentless efforts for business development of the Company.

The Group completed the acquisition of a new plant in Gaoping, Sanjiao Town of Zhongshan City, Guangdong Province in 2007 that will increase multi-layered PCB production capacity of approximately 3.6 million sq. ft. per annum ("Plant 2"). This plant has enough space to accommodate our additional increase of production capacities up to approximately 10.8 million sq. ft. per annum in the future. Plant 2 started to operate in October 2007 and will become one of the major growing forces for the Group in 2008.

The Company has been actively developing new overseas markets while developing and optimizing its existing markets. In September 2007, the Group has entered into a mutually exclusive agreement with NEC Toppan Circuit Solutions, Inc. ("TNCSi"), a jointed venture company established by NEC Corporation and Toppan Printing Company Limited, with an aim to promote the sales of the Group's PCB to Japan through the established network of TNCSi. Besides, the Group strives to promote and optimize its one-stop services by continuing to extend its product ranges with higher value-added in order to satisfy customers' needs.

The Board has recommended a final dividend of HK5.0 cents per share for the year ended 31 December 2007, together with the HK2.5 cents of interim dividend, the HK7.5 cents of dividend for the year of 2007 represented a payout ratio of 30.0%.

Once again, on behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years. We strive to maintain a high level of corporate governance and transparency and continue to develop its business based on its extensive market experience and professional expertise. By leveraging on its unrivalled strengths, clear development strategies, and excellent management team, we expect to share the fruit of the Group's achievements with our shareholders in the future and witness together the robust development of the PCB market.

Sincerely yours,

**Yeung Hoi Shan**
*Chairman*

The Company is committed to adopting the standards of corporate governance. The Board believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2007.

With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. With effect from 2nd January 2007, Mr. Wong Wing Choi, an executive director, has been appointed as the Company's CEO with Mr. Yeung Hoi Shan, an executive director, remained to be Chairman of the Company.

## DIRECTORS

### The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The Company has held 5 board meetings during the year ended 31 December 2007 and the attendance records are set out below:

| Name of directors | Number of attendance |
|---|---|
| *Executive directors* | |
| Yeung Hoi Shan *(Chairman)* | 4/5 |
| Wong Wing Choi (Chief Executive Officer with effect from 2 January 2007) | 5/5 |
| Pak Shek Kuen (appointed 2 January 2007) | 4/4 |
| *Non-executive directors* | |
| Li Jinxia | 3/5 |
| Yeung Tai Hoi | 4/5 |
| Cheung Kwok Ping (appointed 2 January 2007) | 2/4 |
| *Independent non-executive directors* | |
| Cheung Sui Wing, Darius | 5/5 |
| Ho Man Kay | 5/5 |
| Wong Siu Fai, Albert | 5/5 |

The Board has met the recommended best practice under the Code for the number of independent non-executive directors. One independent non-executive director possesses recognized professional qualifications in accounting. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

## DIRECTORS *(continued)*

**Appointment, re-election and removal**

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

**Responsibilities of directors**

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction. They are also members of Audit Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

**Directors' liability insurance**

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

**Supply of and access to information**

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises of five directors including Mr. Cheung Sui Wing Darius, Ms. Ho Man Kay and Mr. Wong Siu Fai Albert, all of them are independent non-executive directors, Mr. Cheung Kwok Ping, a non-executive director, and Mr. Yeung Hoi Shan, an executive director. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms. of reference are available on the Company's website: www.tatchun.com.

During the year ended 31 December 2007, the Remuneration Committee held 2 meetings. The attendance of each member is set out as follows:

| Name of member | Number of attendance |
|---|---|
| Yeung Hoi Shan | 2/2 |
| Cheung Kwok Ping | 2/2 |
| Cheung Sui Wing, Darius | 2/2 |
| Ho Man Kay | 2/2 |
| Wong Siu Fai, Albert | 2/2 |

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 12 to the financial statements. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

## ACCOUNTABILITY AND AUDIT

### Financial reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately four months and three months respectively after the end of the relevant periods.

## ACCOUNTABILITY AND AUDIT *(continued)*

**Internal controls**

The Board has overall responsibility for the internal control system of the Company. The Board has developed its system of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the stakeholders of the Company. During the year under review, the Board has appointed a special task force internally to review the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

**Audit Committee**

The Audit Committee comprises the three independent non-executive directors, one of whom possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: www.tatchun.com.

Three Audit Committee meetings were held in 2007 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

| Name of member | Number of attendance |
|---|---|
| Cheung Sui Wing, Darius | 3/3 |
| Ho Man Kay | 3/3 |
| Wong Siu Fai, Albert | 3/3 |

The Company's annual results for the year ended 31 December 2007 has been reviewed by the Audit Committee.

**Fee paid/payable to Group's auditors**

For the financial year ended 31 December 2007, the fee paid/payable to the Group's auditors is set out as follows:

| Services rendered | Fee paid/payable HK$'000 |
|---|---|
| Audit services | 1,355 |
| Non-audit services | |
| – Taxation services | 477 |
| – Interim review | 380 |

## DELEGATION BY THE BOARD

**Management functions**

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

## COMMUNICATION WITH SHAREHOLDERS

**Effective communication**

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee and Remuneration Committee will attend the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming 2007 annual general meeting on each substantially separate issue, including the re-election of the retiring directors.

**Voting by poll**

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.

## BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of board range of PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

| | **Year 2007** | | Year 2006 | | Increase/ (Decrease) | Change in |
|---|---|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 | % | HK$'000 | % |
| Single-sided | **173,076** | **23.4** | 146,135 | 23.8 | 26,941 | 18.4 |
| Double-sided | **410,488** | **55.4** | 340,456 | 55.6 | 70,032 | 20.6 |
| Multi-layered | **157,404** | **21.2** | 126,565 | 20.6 | 30,839 | 24.4 |
| Total | **740,968** | **100** | 613,156 | 100 | 127,812 | 20.9 |

The products in the three categories are widely applied in different applications. The breakdown of turnover in terms of applications is summarized as follows:

| | **Year 2007** | | Year 2006 | | Increase/ (Decrease) | Change in |
|---|---|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 | % | HK$'000 | % |
| Consumer electronics | **370,762** | **50.1** | 394,708 | 64.4 | (23,946) | (6.1) |
| Computers and computer peripherals | **228,768** | **30.9** | 101,317 | 16.5 | 127,451 | 125.8 |
| Communication equipment | **82,335** | **11.1** | 73,981 | 12.1 | 8,354 | 11.3 |
| Others | **59,103** | **7.9** | 43,150 | 7.0 | 15,953 | 37.0 |
| Total | **740,968** | **100** | 613,156 | 100 | 127,812 | 20.9 |

## BUSINESS REVIEW *(continued)*

The Group has two manufacturing plants both located at Zhongshan, Guangdong of the PRC. Up to 3.5 million sq. ft. in wide ranges of PCBs can be produced per month by fully utilized the production capacities in these factories ("Plant 1" and "Plant 2"). The layout of two factories are listed as follows:

| Production plant | Location | Area | Products | Production capacity | Commencement of operations |
|---|---|---|---|---|---|
| Plant 1 | Zhongshan, Guangdong the PRC | 58,000 sq. m. | 1 – 8 layered PCBs | 3.2 million sq. ft. per month | May 2003 |
| Plant 2 | Zhongshan, Guangdong the PRC | 52,000 sq. m. | 4 – 12 layered PCBs | 300,000 sq. ft. per month (phase 1) | October 2007 (phase 1) |

By product, the Group has been shifting its focus from single-sided and double-sided PCBs to multi-layered PCBs. Following the commencement of phase 1 of Plant 2, the Group undertook mass production of PCBs up to 12-layers and completed the prototype of HDI PCBs. The Directors are encouraged by the operational efficiencies of Plant 2 in the fist quarter of 2008 and foresee a greater integration with operations of Plant 1 so as to enhance the overall performance of the group in the coming year.

## FINANCIAL REVIEW

For the year ended 31 December 2007, the Group's turnover amounted to approximately HK$741.0 million, representing an increase of 20.9% as compared to approximately HK$613.2 million for the year ended 31 December 2006. Profit attributable to shareholders was approximately HK$60.0 million (2006: HK$39.1 million).

The Group's gross profit has increased by 22.9% to approximately HK$144.8 million. Gross profit margin increased slightly to approximately 19.5% from that of approximately 19.2% for the year of 2006. Notwithstanding the delay in operations of Plant 2 and under-utilization of its production capacities in the last quarter of 2007, the better utilization of Plant 1 existing production capacities contributed positively in the profit margins compensating the inefficiencies of Plant 2 and the price increases of raw materials during the year.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2007, the Group had total assets of approximately HK$921.2 million (31 December 2006: HK$692.8 million) and interest-bearing borrowings of approximately HK$361.7 million (31 December 2006: HK$229.8 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 39.3% (31 December 2006: 33.2%).

The Group had net current assets of approximately HK$0.4 million (31 December 2006: net current liabilities of HK$41.4 million) consisted of current assets of approximately HK$425.0 million (31 December 2006: HK$380.6 million) and current liabilities of approximately HK$424.6 million (31 December 2006: HK$422.0 million), representing a current ratio of approximately 1.0 (31 December 2006: 0.9).

As at 31 December 2007, the Group had cash and bank balances of approximately HK$70.7 million (31 December 2006: HK$35.9 million).

## FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in United States dollars ("US$"), Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly US$, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in US$ and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

## SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDER

On 4 January 2007, the Group obtained a syndicated loan facility of HK$130 million by entering into loan facilities agreements (the "Agreement") with Hang Seng Bank Limited being the co-ordinating arranger. The purpose of this syndicated loan facility is to finance the general corporate requirement of the Group including the capital expenditure requirements in relation to the production facilities in Zhongshan and the refinancing of its then existing indebtedness. Pursuant to the Agreement, the following specific performance obligations are imposed on Mr. Yeung Hoi Shan, an executive director and substantial shareholder of the Company throughout the life of the syndicated loan facility:

– Mr. Yeung Hoi Shan shall at all times remain, directly or indirectly, the single largest shareholder of the Company; or

– Mr. Yeung Hoi Shan shall at all times maintain, directly or indirectly, at least 50% of the issued share capital of the Company from any encumbrance; or

– Mr. Yeung Hoi Shan shall at all times maintain management control over the Group.

A breach of the aforesaid obligations will constitute an event of default under the Agreement which may result in the cancellation of all or any part of the commitments under the Agreement and all borrowed amounts outstanding becoming immediately due and payable.

## DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK 5 cents per share, amounting to approximately HK$12.0 million (31 December 2006: HK 3.33 cents per share). The final dividends will be payable to the shareholders on or around 27 May 2008 whose names appear on the register of members of the Company on 20 May 2008.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Group will be closed from Friday, 16 May 2008 to Tuesday, 20 May 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 15 May 2008.

## HUMAN RESOURCES

As at 31 December 2007, the Group employed a total of approximately 3,150 employees (31 December 2006: 2,380), including approximately 3,124 employees in its Zhongshan production sites and approximately 26 employees in its Hong Kong office. Competitive remuneration packages were offered to employees. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals.

## OUTLOOK

The year of 2007 was an important year for the Company. The Group has invested significantly in capital expenditure to support its growth in production capacities for its future. Through the increase in production capacities and product offerings, the management of the Group strives to maintain a steady and sustainable revenue growth in an aim to keep its long-term development In anticipation of higher volatility of the market environment, the Group has taken a prudent approach and followed up on the changing market by adjusting its business strategies in a timely manner and monitored the pace of capital expenditure investment. The rapid development in the Group's scale of operations and the substantial growth of its operational results reflected that our business has continued its upward trend and headed towards rapid growth phase.

## DIRECTORS

### Executive Directors

**Mr. Yeung Hoi Shan**, aged 47, has been a director since 25 November 2004 and was appointed as the Chairman of the Company on 5 June 2006. Mr. Yeung is in charge of the corporate strategy, planning and overall development of the Group. He has over 26 years of experience in the electronics manufacturing industry. During the period from 1981 to 1988, Mr. Yeung worked in an electronics manufacturing company in Hong Kong as the production engineer. In 1988, he started his own business of manufacturing and trading of PCBs and founded the Group in the same year. Mr. Yeung is a recipient of the Young Industrialist Awards of Hong Kong 2005. He is a son of Madam Li and the brother of Mr. Yeung Tai Hoi.

**Mr. Wong Wing Choi**, aged 43, was appointed as the Managing Director of the Company and an executive Director on 5 June 2006 and was re-designated as the Chief Executive Officer of the Company and an executive director with effective from 2 January 2007. He joined the Company in March 2001. Mr. Wong is in charge of the overall management of the Group. He obtained a bachelor's degree in Engineering from The University of Hong Kong in 1988. He also obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science from The Chinese University of Hong Kong in 1998. Prior to joining the Company, Mr. Wong had worked for a number of multi-national companies during the period from 1995 to 2001 with exposure to different industries, and at senior management levels.

**Mr. Pak Shek Kuen**, aged 49, was appointed as an executive director with effective from 2 January 2007. Mr. Pak is the Chief Financial Officer, qualified accountant and company secretary of the Company and is responsible for the general financial management and accounting of the Group. He is an associate member of Hong Kong Institute of Certified Public Accountants and fellow member of The Association of Chartered Certified Accountants. He obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science for Electronic Commerce and Internet Computing from The University of Hong Kong in 2003. Prior to joining the Company in 2003, he worked for various financial institutions in Hong Kong for more than 20 years in the area of operations, risk management, treasury and internal audit.

### Non-executive Directors

**Madam Li Jinxia**, aged 70, was appointed as a non-executive director on 5 June 2006. Madam Li formerly worked in State Tax Bureau of Zhongshan as an officer. She has been acting as an adviser to the Company in respect of PRC government policies since the incorporation of Tat Chun Printed Circuit Board Company Limited in 1988. She is the mother of Mr. Yeung Hoi Shan and Mr. Yeung Tai Hoi.

**Mr. Yeung Tai Hoi**, aged 50, was appointed as a non-executive director on 5 June 2006. Mr. Yeung joined Zhongshan Jinghua Printing Ink Factory Co., Ltd. in 1990 as the general manager in charge of the overall management. He is also a director of Gin Hwa Enterprise Limited. It is a private company incorporated in Hong Kong engaged in chemical ink manufacturing and trading. He has over 9 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

## DIRECTORS *(continued)*

**Non-executive Directors** *(continued)*

**Mr. Cheung Kwok Ping**, aged 47, was appointed as a non-executive director on 2 January 2007. Mr. Cheung is currently an executive director of Kingboard Laminates Holdings Limited, a company whose shares were listed on the main board of The Stock Exchange of Hong Kong Limited and the general manager of the paper laminate factories in Fogang and Shaoguan, the PRC. He is also an executive director of Kingboard Copper Foil Holdings Limited, a company whose shares were listed on the Singapore Exchange Securities Trading Limited. Mr. Cheung has over 19 years' experience in marketing.

**Independent non-executive Directors**

**Mr. Cheung Sui Wing**, **Darius**, aged 49, was appointed as an independent non-executive director on 5 June 2006. He is currently the managing director of a consumer electronics products company named Techlux International Limited in Hong Kong. Before that, he worked as a vice president and general manager for a consumer electronics manufacturer.

**Ms. Ho Man Kay**, aged 45, was appointed as an independent non-executive director on 5 June 2006. She is a founding partner of Angela Ho & Associates. Prior to joining her present firm, Ms. Ho was a partner of Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practising lawyer in Hong Kong since 1989, specializing in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho was President of the Hong Kong Federation of Women Lawyers in 2002-2005 and is a Hong Kong delegate of the 9th All China Women Congress.

**Mr. Wong Siu Fai**, **Albert**, aged 48, was appointed as an independent non-executive director on 5 June 2006. He is currently the chief financial officer of Walcom Group Limited and has over 25 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms. Mr. Wong obtained an honour diploma in accounting in Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in 1983. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He has the appropriate professional qualifications, accounting or related financial management expertise pursuant to the Rule 3.10(2) of the Listing Rules.

## SENIOR MANAGEMENT

**Mr. Ng Sing Hoi, Kenneth**, aged 52, was appointed as the V.P. Sales & Marketing of the Group, in charge of the overall sales and marketing activities of the Group, since September 2006, Mr. Ng obtained a bachelor's degree in Business Administration from The Chinese University of Hong Kong in 1979. Before joining the Group, he has spent over 21 years working as key management in sales & marketing for some major global PCB and Laminate manufacturers in Hong Kong and Canada.

**Mr. Li Chun Sheng**, aged 46, is the head of the sales department of the Company. He is responsible for the overall management of domestic sales in the PRC of the Company. In 2003, he obtained a diploma in the course of Executive Master of Business Administration from Hong Kong International Business College. Prior to joining the Group in 1994, he worked for a mechanical manufacturing company in the PRC for 2 years.

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

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2007 are set out in the consolidated income statement on page 25.

An interim dividend of HK 2.5 cents per share amounting to HK$6,000,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK 5 cents per share for the year ended 31 December 2007 to the shareholders whose names appear on the register of members on 20 May 2008 amounting to approximately HK$12,000,000, and the retention of the remaining profit for the year.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72 of the annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2007, the Company's reserves available for distribution to shareholders were as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Share premium | **30,609** | 30,609 |
| Contributed surplus | **145,058** | 145,058 |
| Accumulated profit (loss) | **454** | (874) |
| | **176,121** | 174,793 |

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

## INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 16 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

In previous year, buildings of the Group were measured by using the cost model. In the current year, the Group has applied the revaluation model under Hong Kong Accounting Standard 16 "Property, Plant and Equipment", details of which are set out in note 17 of the consolidated financial statements. The directors of the Group believe that the revaluation model can reflect the fair values of the buildings in the consolidated financial statements. For the year ended 31 December 2007, this change in accounting policy has resulted in a net gain of revaluation reserve of HK$17,373,000.

## SHARE CAPITAL

Details of share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

## DIRECTORS

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

**Executive Directors**

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Wong Wing Choi *(Chief Executive Officer)*
Mr. Pak Shek Kuen (appointed on 2 January 2007)

**Non-executive Directors**

Madam Li Jinxia
Mr. Yeung Tai Hoi
Mr. Cheung Kwok Ping (appointed on 2 January 2007)

**Independent Non-executive Directors**

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

In accordance with the provisions of the Company's Articles of Association, Mr. Wong Wing Choi, Mr. Cheung Sui Wing, Darius and Ms. Ho Man Kay retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Hoi Shan entered into a service agreement with the Company for a term of three years from 5 June 2006, determinable by either party by giving three months' prior written notice.

Mr. Wong Wing Choi entered into a service agreement with the Company for a term of two years from 2 January 2007, determinable by either party by giving six months' prior written notice.

Mr. Pak Shek Kuen entered into a service agreement with the Company for a term of two years from 2 January 2007, determinable by either party by giving three months' prior written notice.

Each of the independent non-executive directors entered into service agreements with the Company for a term of one year and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of two months in writing before its expiration.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The directors may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted the to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

## SHARE OPTION SCHEME *(continued)*

Details of the share options held by the directors are as follows:

| | Balance at 1 January 2007 | Granted during the year | Balance at 31 December 2007 |
|---|---|---|---|
| Yeung Hoi Shan | – | 2,000,000 | 2,000,000 |
| Wong Wing Choi | – | 2,000,000 | 2,000,000 |
| Pak Shek Kuen | – | 2,000,000 | 2,000,000 |
| Madam Li Jinxia | – | 1,000,000 | 1,000,000 |
| Yeung Tai Hoi | – | 200,000 | 200,000 |
| Cheung Sui Wing, Darius | – | 200,000 | 200,000 |
| Ho Man Kay | – | 200,000 | 200,000 |
| Wong Siu Fai, Albert | – | 200,000 | 200,000 |
| | – | 7,800,000 | 7,800,000 |

The exercise price per share is HK$1.52.

The options were granted on 3 July 2007 and will be expired on 2 July 2011.

Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date grant.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

## CONNECTED TRANSACTION

During the year, the Group has disposed of a property interest in Hong Kong to Illumination Limited, a company owned by Mr. Yeung Hoi Shan ("Mr. Yeung"), the substantial shareholder and an executive director of the Company at a consideration of HK$14,400,000 (the "Disposal"). Such property was used and occupied by Mr. Yeung as director's quarter. Having regard to the then property market in Hong Kong, the directors considered that the Disposal represented a good opportunity to realise a gain for the disposal. The terms of the sales and purchase agreement were arrived at arm's length negotiations and were on normal commercial terms.

The Disposal constituted a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and in this respect, the Disposal was approved by the shareholders in the extraordinary general meeting held on 24 December 2007 and subsequently completed on 28 February 2008 when Illumination Limited makes payment upon the completion of mortgage documents.

## DIRECTOR INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the connected transaction disclosed above, no contracts of significance, to which the Company or its subsidiaries 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.

## DIRECTORS' INTERESTS IN SHARES

At 31 December 2007, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchanges of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

**Interest in securities**

| Name of director | Capacity | Number of issued ordinary shares held | Shareholding percentage |
|---|---|---|---|
| Mr. Yeung Hoi Shan | Beneficial owner | 179,000,000 | 74.58 |
| Mr. Wong Wing Choi | Beneficial owner | 1,000,000 | 0.42 |

**Interests in underlying shares pursuant to share options**

| Name of director | Capacity | Number of share options granted |
|---|---|---|
| Mr. Yeung Hoi Shan | Beneficial owner | 2,000,000 |
| Mr. Wong Wing Choi | Beneficial owner | 2,000,000 |
| Mr. Pak Shek Kuen | Beneficial owner | 2,000,000 |
| Madam Li Jinxia | Beneficial owner | 1,000,000 |
| Mr. Yeung Tai Hoi | Beneficial owner | 200,000 |
| Ms. Cheung Sui Wing, Darius | Beneficial owner | 200,000 |
| Ms. Ho Man Kay | Beneficial owner | 200,000 |
| Mr. Wong Siu Fai, Albert | Beneficial owner | 200,000 |

The options were granted on 3 July 2007 with exercise price HK$1.52.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2007, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

**Interest in securities**

| Name of shareholder | Capacity | Number of issued ordinary shares held | Percentage of issue share capital |
|---|---|---|---|
| Ms. Zhao Man Qi *(Note 1)* | Interest of spouse | 179,000,000 | 74.58% |
| Hallgain Management Limited *(Note 2)* | Interest of controlled corporation | 23,760,000 | 9.90% |
| Jamplan (BVI) Limited *(Note 2)* | Interest of controlled corporation | 23,760,000 | 9.90% |
| Kingboard Chemical Holdings Limited *(Note 2)* | Interest of controlled corporation | 23,760,000 | 9.90% |
| Kingboard Investments Limited *(Note 2)* | Beneficial | 23,760,000 | 9.90% |
| Full Prosper Corporation *(Note 3)* | Beneficial | 15,000,000 | 6.25% |
| Mr. Lam Man Chan *(Note 3)* | Interest of controlled corporation | 15,000,000 | 6.25% |

**Interest in underlying shares pursuant to share options**

| Name | Capacity | Number of share options granted | Exercise price HK$ |
|---|---|---|---|
| Ms. Zhao Man Qi *(Note 1)* | Interest of spouse | 2,000,000 | 1.52 |

*Notes:*

1. Ms. Zhao Man Qi is the spouse of Mr. Yeung Hoi Shan.

2. Kingboard Investments Limited is a wholly-owned subsidiary of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 30.94% interest in Kingboard Chemical Holdings Limited.

3. Full Prosper Corporation is wholly-owned by Mr. Lam Man Chan.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2007.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries purchased sold or redeemed any of the Company's listed securities.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 11.7% to the total sales for the year. The Group's five largest customers accounted for 36.4% of the Group's total turnover for the year.

The Group's largest supplier contributed 42.5% to the total purchases for the year. The Group's five largest suppliers accounted for 68.6% of the total purchases for the year.

At 31 December 2007, Kingboard Chemical Holdings Limited, a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest supplier. All transactions between the Group and the supplier concerned were carried out on normal commercial terms.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

## DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$1,480,000.

## AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. Mr. Cheung Sui Wing, Darius, is the chairman of the Audit Committee.

## REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee, comprises the three independent non-executive directors and a executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications, and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Yeung Hoi Shan**
*Chairman*

Hong Kong
15 April 2008

Deloitte.
德勤

**TO THE SHAREHOLDERS OF**
**TC INTERCONNECT HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of TC Interconnect Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 71, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Group as at 31 December 2007 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.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong
15 April 2008

# Consolidated Income Statement

For the year ended 31 December 2007

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| Turnover | 8 | **740,968** | 613,156 |
| Cost of sales | | **(596,157)** | (495,328) |
| Gross profit | | **144,811** | 117,828 |
| Other income | *8* | **34,823** | 13,067 |
| Selling and distribution expenses | | **(32,994)** | (25,129) |
| Administrative expenses | | **(58,858)** | (46,189) |
| Finance costs | *9* | **(17,183)** | (11,250) |
| Profit before tax | | **70,599** | 48,327 |
| Income tax expense | *10* | **(10,565)** | (9,229) |
| Profit for the year | *11* | **60,034** | 39,098 |
| Dividends recognised as distribution during the year | *14* | | |
| 2007 Interim dividend of HK2.5 cents per share | | **6,000** | – |
| 2006 Final dividend of HK3.33 cents per share | | **8,000** | – |
| | | **14,000** | – |
| Basic earnings per share | *15* | **HK$0.25** | HK$0.18 |

# Consolidated Balance Sheet

At 31 December 2007

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | 16 | **3,500** | 3,000 |
| Property, plant and equipment | 17 | **454,898** | 271,485 |
| Prepaid lease payments – non-current portion | 18 | **30,822** | 34,822 |
| Deposit paid for acquisition of property, plant and equipment | | **6,984** | 2,863 |
| | | **496,204** | 312,170 |
| Current assets | | | |
| Inventories | 19 | **88,933** | 67,920 |
| Prepaid lease payments – current portion | 18 | **781** | 897 |
| Trade and other receivables | 20 | **244,873** | 264,736 |
| Bills receivable | 20 | **6,017** | 2,451 |
| Amount due from a related company | 21 | **13,680** | – |
| Pledged bank deposits | 22 | **–** | 8,767 |
| Bank balances and cash | 22 | **70,663** | 35,858 |
| | | **424,947** | 380,629 |
| Current liabilities | | | |
| Trade and other payables | 23 | **198,610** | 186,369 |
| Bills payable | 23 | **24,333** | 18,502 |
| Taxation payable | | **18,716** | 13,937 |
| Bank and other borrowings – due within one year | 24 | **143,899** | 180,922 |
| Obligations under finance leases – due within one year | 25 | **39,008** | 22,276 |
| | | **424,566** | 422,006 |
| Net current assets (liabilities) | | **381** | (41,377) |
| Total assets less current liabilities | | **496,585** | 270,793 |
| Non-current liabilities | | | |
| Bank and other borrowings – due after one year | 24 | **119,161** | 79 |
| Obligations under finance leases – due after one year | 25 | **59,663** | 26,546 |
| Deferred tax liabilities | 26 | **9,281** | 2,312 |
| | | **188,105** | 28,937 |
| Net assets | | **308,480** | 241,856 |

# Consolidated Balance Sheet

At 31 December 2007

| | Note | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|---|
| Capital and reserves | | | |
| Share capital | 27 | **24,000** | 24,000 |
| Reserves | | **284,480** | 217,856 |
| Total equity | | **308,480** | 241,856 |

The consolidated financial statements on pages 25 to 71 were approved and authorised for issue by the Board of Directors on 15 April 2008 and are signed on its behalf by:

**Mr. Yeung Hoi Shan**
*Director*

**Mr. Pak Shek Kuen**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

| | Share capital HK$'000 (Note 27) | Share premium HK$'000 | Revaluation reserve HK$'000 | PRC statutory reserve HK$'000 (Note 28) | Special reserve HK$'000 (Note 28) | Share options reserve HK$'000 | Exchange reserve HK$'000 | Accumulated profits HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2006 | 10 | – | – | 1,401 | 1,156 | – | 79 | 145,513 | 148,159 |
| Profit and total recognised income for the year | – | – | – | – | – | – | – | 39,098 | 39,098 |
| Issue of shares for cash | 6,000 | 54,000 | – | – | – | – | – | – | 60,000 |
| Share issue expense | – | (5,401) | – | – | – | – | – | – | (5,401) |
| Capitalisation issue | 17,990 | (17,990) | – | – | – | – | – | – | – |
| Transfer | – | – | – | 889 | – | – | – | (889) | – |
| At 31 December 2006 | 24,000 | 30,609 | – | 2,290 | 1,156 | – | 79 | 183,722 | 241,856 |
| Surplus on revaluation of properties | – | – | 23,402 | – | – | – | – | – | 23,402 |
| Deferred tax liabilities arising from revaluation of properties | – | – | (6,029) | – | – | – | – | – | (6,029) |
| Net income recognised directly in equity | – | – | 17,373 | – | – | – | – | – | 17,373 |
| Profit for the year | – | – | – | – | – | – | – | 60,034 | 60,034 |
| Total recognised income for the year | – | – | 17,373 | – | – | – | – | 60,034 | 77,407 |
| Dividends recognised as distribution | – | – | – | – | – | – | – | (14,000) | (14,000) |
| Recognition of equity-settled share based payment | – | – | – | – | – | 3,217 | – | – | 3,217 |
| Transfer | – | – | – | 1,214 | – | – | – | (1,214) | – |
| At 31 December 2007 | 24,000 | 30,609 | 17,373 | 3,504 | 1,156 | 3,217 | 79 | 228,542 | 308,480 |

Loss for the year of the Company amounted to HK$7,118,000 (2006: HK$385,000).

# Consolidated Cash Flow Statement

For the year ended 31 December 2007

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | **70,599** | 48,327 |
| Adjustments for: | | |
| Share options expense | **3,217** | – |
| Impairment loss recognised in respect of trade receivables | **2,789** | 1,686 |
| Release of prepaid lease payments | **1,031** | 531 |
| Depreciation of property, plant and equipment | **30,031** | 22,936 |
| Finance costs | **17,183** | 11,250 |
| Gain on disposal of a property interest | **(6,224)** | – |
| Increase in fair value of investment properties | **(500)** | (600) |
| Interest income | **(368)** | (346) |
| PRC tax refund on capital investment in subsidiaries | **(1,620)** | – |
| Bad debts written off | **–** | 305 |
| Operating cash flow before movements in working capital | **116,138** | 84,089 |
| Increase in inventories | **(21,013)** | (11,767) |
| Decrease (increase) in trade and other receivables | **17,074** | (92,561) |
| (Increase) decrease in bills receivable | **(3,566)** | 5,555 |
| Increase in trade and other payables | **398** | 61,468 |
| Increase (decrease) in bills payable | **5,831** | (12,779) |
| Cash generated from operations | **114,862** | 34,005 |
| Hong Kong Profits Tax refund (paid) | **1,714** | (3,429) |
| PRC Enterprise Income Tax paid | **(6,560)** | (2,270) |
| NET CASH FROM OPERATING ACTIVITIES | **110,016** | 28,306 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | **(106,748)** | (60,117) |
| Decrease (increase) in pledged bank deposits | **8,767** | (5,629) |
| Proceeds from disposal of a property interest | **720** | – |
| PRC tax refund on capital investment in subsidiaries | **1,620** | – |
| Interest received | **368** | 346 |
| Payment of lease payment | **–** | (16,778) |
| NET CASH USED IN INVESTING ACTIVITIES | **(95,273)** | (82,178) |
| FINANCING ACTIVITIES | | |
| Bank and other borrowings raised | **481,071** | 283,487 |
| Repayment of bank and other borrowings | **(399,012)** | (215,912) |
| Repayment of obligations under finance leases | **(30,814)** | (27,173) |
| Interest paid | **(17,183)** | (11,250) |
| Dividend paid | **(14,000)** | – |
| Proceeds on issue of shares received | **–** | 60,000 |
| Repayment to a shareholder | **–** | (8,646) |
| Share issue expenses | **–** | (5,401) |
| Repayment of advances from a related party | **–** | (413) |
| NET CASH FROM FINANCING ACTIVITIES | **20,062** | 74,692 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **34,805** | 20,820 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | **35,858** | 15,038 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash | **70,663** | 35,858 |

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirement under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) – Int 11 | HKFRS 2: Group and Treasury Share Transactions[3] |
| HK(IFRIC) – Int 12 | Service Concession Arrangements[4] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4] |

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

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

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. CHANGE IN AN ACCOUNTING POLICY

**Property, plant and equipment**

Prior to 1 January 2007, the building of the Company was stated at cost less subsequent accumulated depreciation and accumulated impairment losses. As at 31 December 2007, the Group has elected to use revaluation model to account for its buildings which requires the change in revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any revaluation reserve is recognised directly in the revaluation reserve in equity in accordance with HKAS 16 "Property, plant and equipment". The directors of the Company believe that the revaluation model can provide reliable and more relevant information on the Group's financial position. This change in accounting policy has resulted an increase in net assets by approximately HK$17,373,000.

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

**Basis of consolidation**

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

A uniform set of accounting policies is adopted by those entities.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Business combination under common control**

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the previous balance sheet date or when they first came under common control, whichever is shorter.

**Revenue recognition**

Revenue is measured at the fair values of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, value-added tax and other sales related taxes.

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

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

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Property, plant and equipment**

Property, plant and equipment, excluding buildings and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Investment properties**

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

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Foreign currencies**

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Taxation**

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

**Leasing**

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

*The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

*The Group as lessee*

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial instruments**

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

*Financial assets*

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables and other receivables, bills receivables, amount due from a related company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial instruments** *(continued)*

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment as a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 150 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial instruments** *(continued)*

*Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bills payable, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

*Derecognition*

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and the state-managed retirement benefits scheme are charged as expenses when employees have rendered services entitling them to the contributions.

**Share-based payment transactions**

*Equity-settled share-based payment transactions*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**Impairment losses recognised in respect of trade receivables**

The impairment loss on trade receivables of the Group 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 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. As at 31 December 2007, the carrying value of trade receivables (net of impairment loss of approximately HK$11 million) is approximately HK$232 million. When the actual cash receipts are less than expected, a material impairment loss may arise.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

**Depreciation**

The Group's net book value of property, plant and equipment as at 31 December 2007 was HK$455 million. The Group depreciates the buildings and related improvements on a straight-line basis over the term of lease. The Group depreciates the plant and machinery on a straight-line basis over the estimated useful life of ten years, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Where the estimated useful life is different from the years that were initially recorded, such differences will impact the depreciation and net carrying amount of property, plant and equipment in the year in which such estimate is changed.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, and equity attributable to equity holders as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issue of new shares or debt or the redemption of existing debt.

## 7. FINANCIAL INSTRUMENTS

**a. Categories of financial instruments**

| | **2007**<br>**HK$'000** | 2006<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **327,930** | 297,484 |
| **Financial liabilities** | | |
| Amortised cost | **555,220** | 422,558 |

## 7. FINANCIAL INSTRUMENTS *(continued)*

### b. Financial risk management objectives and polices

The Group's major financial instruments include borrowings, trade receivables, bank deposits, trade payables and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*(i) Foreign currency risk*

The Group operates in Hong Kong ("HK") and the PRC with most of the transactions denominated and settled in United States dollars ("US$"), Hong Kong dollars ("HK$") and Renminbi ("RMB"). As HK$ and US$ are pegged, the Group has minimum exposure to US$ fluctuation.

The carrying amount of the monetary assets and monetary liabilities denominated in foreign currency, that is other than functional currency of respective group entities, at the respective balance sheet dates are as follow:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Assets** | | |
| US$ | **230,473** | 144,232 |
| RMB | **41,317** | 77,712 |
| **Liabilities** | | |
| US$ | **56,992** | 55,306 |
| RMB | **57,300** | 146,315 |

Foreign currency sensitivity

The Group is mainly exposed to the currency of RMB.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes trade balances and bank balances. If RMB against HK$ had been increased/decreased by 10%, the Group's profit for the year would decrease/increase by approximately HK$1,166,000 (2006: HK$5,008,000).

## 7. FINANCIAL INSTRUMENTS *(continued)*

### b. Financial risk management objectives and polices *(continued)*

*(ii) Interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, obligations under finance lease and bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group does not have a hedging policy. However, management monitors interest rate exposure and will consider hedging significant fixed rate bank borrowing should the need arises.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate (" HIBOR") arising from the Group's HK$ borrowings.

Interest rate sensitivity

At the respective balance sheet dates, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$2,125,000 (2006: HK$1,352,000) for the years.

*(iii) Other price risks*

The Group does not expose to significant other price risks. Management monitors the other price risks and will consider hedging significant price exposure should the need arises.

*(iv) Market risks*

Other than the above, the Group has no other material exposure to market risks.

*(v) Credit risk*

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The credit risk on bank deposits is limited because the counterparts are banks with high credit-ratings.

## 7. FINANCIAL INSTRUMENTS *(continued)*

### b. Financial risk management objectives and polices *(continued)*

*(vi) Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants. As at 31 December 2007, the Group has net current assets of HK$381,000. The directors managed the liquidity of the Group by use of borrowings and unused banking facilities.

At the balance sheet date, the Group has undrawn banking facilities of approximately HK$145 million. The directors are of the opinion that the Group will be able to renew the banking facilities granted by the banks and the Group expects to have adequate funding to finance its operations and capital expenditures.

## 7. FINANCIAL INSTRUMENTS *(continued)*

### b. Financial risk management objectives and polices *(continued)*

*(vi) Liquidity risk (continued)*

The following tables detail Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Weighted average effective interest rate % | Within 1 year HK$'000 | 1-2 years HK$'000 | 2-3 years HK$'000 | Over 3 years HK$'000 | Undiscounted cash flow HK$'000 | Total carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2007** | | | | | | | |
| **Non-interest bearing** | | | | | | | |
| – Trade and other payables | – | 169,156 | – | – | – | 169,156 | 169,156 |
| – Bills payable | – | 24,333 | – | – | – | 24,333 | 24,333 |
| **Variable interest rate instruments** | | | | | | | |
| – Obligations under finance lease | 6.50% | 43,903 | 36,920 | 21,893 | 4,376 | 107,092 | 98,671 |
| – Bank and other borrowings | 5.60% | 151,957 | 125,834 | – | – | 277,791 | 263,060 |
| | | 389,349 | 162,754 | 21,893 | 4,376 | 578,372 | 555,220 |
| **As at 31 December 2006** | | | | | | | |
| Non-interest bearing | | | | | | | |
| – Trade and other payables | – | 174,232 | – | – | – | 174,232 | 174,232 |
| – Bills payable | – | 18,503 | – | – | – | 18,503 | 18,503 |
| **Fixed interest rate instruments** | | | | | | | |
| – Bank and other borrowings | 6.34% | 52,642 | – | – | – | 52,642 | 49,505 |
| **Variable interest rate instruments** | | | | | | | |
| – Obligations under finance lease | 6.60% | 24,444 | 16,139 | 9,137 | 2,988 | 52,708 | 48,822 |
| – Bank and other borrowings | 5.02% | 138,011 | 83 | – | – | 138,094 | 131,496 |
| | | 407,832 | 16,222 | 9,137 | 2,988 | 436,179 | 422,558 |

## 7. FINANCIAL INSTRUMENTS *(continued)*

### c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

## 8. REVENUE

Turnover represents the gross amounts received and receivable for goods sold, net of discounts, value-added tax and other sales related taxes, by the Group to outside customers during the year.

Analysis of the Group's revenue is as follow:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales of goods | **740,968** | 613,156 |
| Other income | | |
| – Bank interest income | **368** | 346 |
| – Gain on disposal of a property interest | **6,224** | – |
| – Increase in fair value of investment properties | **500** | 600 |
| – PRC tax refund on capital investment in subsidiaries | **1,620** | – |
| – Rental income generated from investment properties | **540** | 470 |
| – Sales of scrap materials | **24,431** | 9,987 |
| – Others | **1,140** | 1,664 |
| | **34,823** | 13,067 |

## 9. FINANCE COSTS

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on: | | |
| – bank and other borrowings wholly repayable within five years | **12,876** | 7,431 |
| – bank borrowings not wholly repayable within five years | **358** | 404 |
| – obligations under finance leases | **3,949** | 3,415 |
| | **17,183** | 11,250 |

## 10. INCOME TAX EXPENSE

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| Current year | **2,098** | 1,644 |
| Under (over) provision | **57** | (33) |
| | **2,155** | 1,611 |
| PRC Enterprises Income Tax | **7,470** | 5,948 |
| | **9,625** | 7,559 |
| Deferred tax *(note 26)* | **940** | 1,670 |
| | **10,565** | 9,229 |

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

Pursuant to the relevant laws and regulations in the PRC, Zhongshan Tat Chun PCB Company Limited ("Zhongshan PCB") is entitled to exemption from the PRC Foreign Enterprise Income Tax for the first two years commencing from its first profit-making year of operation, and thereafter, this PRC subsidiary will be entitled to a 50% relief from the PRC Foreign Enterprise Income Tax for the following three years ("Tax Holiday"). The reduced tax rate for the relief period is 12%. After the expiry of the tax relief period, Zhongshan PCB is subjected to an income tax rate of 27%. The first profit-making year of operation of Zhongshan PCB was in 2004. Because of the exemption of the PRC local income tax of 6%, therefore, income tax rate of Zhongshan Tat Chun Electric Company Limited ("Zhongshan Electric") is 27%.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. From 1 January 2008, the New Law and Implementation Regulations will gradually change the tax rate of Zhongshan PCB from 12% to 25% during the Tax Holiday. The tax rate of Zhongshan Electric will change from 27% to 25%.

## 10. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the profit per consolidated income statement as follows:

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| The charge comprises: | | |
| Profit before tax | **70,599** | 48,327 |
| Tax rate applicable to the major operations of the Group | **27%** | 27% |
| Tax at the applicable rate | **19,061** | 13,048 |
| Tax effect of expenses that are not deductible in determining taxable profit | **2,961** | 1,454 |
| Tax effect of income that are not taxable in determining taxable profit | **(1,524)** | (25) |
| Tax effect of tax losses not recognised | **15** | 107 |
| Under (over) provision of Hong Kong Profits Tax in previous year | **57** | (33) |
| Tax effect of Tax Holiday of subsidiaries | **(3,723)** | (4,352) |
| Tax effect of different tax rates of operations/ entities operating in other jurisdiction | **(6,282)** | (970) |
| Income tax expense | **10,565** | 9,229 |

## 11. PROFIT FOR THE YEAR

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Employee benefits expenses, including directors' remuneration | **75,811** | 61,521 |
| Retirement benefits schemes contributions | **2,690** | 1,709 |
| Total employee expenses | **78,501** | 63,230 |
| Impairment loss recognised on trade receivables | **2,789** | 1,686 |
| Auditors' remuneration | **1,355** | 1,263 |
| Cost of inventories recognised as an expense | **596,157** | 495,328 |
| Depreciation of property, plant and equipment | **30,031** | 22,936 |
| Net exchange loss | **4,420** | 4,991 |
| Release of prepaid lease payments | **1,031** | 531 |
| Bad debts written off | **–** | 305 |

## 12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

**2007**

| | Yeung Hoi Shan ("Mr. Yeung") HK$'000 | Wong Wing Choi HK$'000 | Pak Shek Kuen HK$'000 | Madam Li HK$'000 | Yeung Tai Hoi HK$'000 | Cheung Sui Wing, Darius HK$'000 | Cheung Kwok Ping HK$'000 | Ho Man Kay HK$'000 | Wong Siu Fai, Albert HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors' emoluments: | | | | | | | | | | |
| – Fees | – | – | – | 83 | 83 | 83 | 83 | 125 | 83 | 540 |
| – Salaries and other benefits | 2,289 | 1,660 | 1,073 | – | – | – | – | – | – | 5,022 |
| – Share-based payments | 424 | 424 | 424 | 212 | 42 | 42 | – | 42 | 42 | 1,652 |
| – Bonus *(Note)* | 161 | – | 169 | – | – | – | – | – | – | 330 |
| – Retirement benefits schemes contributions | 12 | 12 | 12 | – | – | – | – | – | – | 36 |
| Total emoluments | 2,886 | 2,096 | 1,678 | 295 | 125 | 125 | 83 | 167 | 125 | 7,580 |

2006

| | Mr. Yeung HK$'000 | Wong Wing Choi HK$'000 | Madam Li HK$'000 | Yeung Tai Hoi HK$'000 | Cheung Sui Wing, Darius HK$'000 | Ho Man Kay HK$'000 | Wong Siu Fai, Albert HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Directors' emoluments: | | | | | | | | |
| – Fees | – | – | 46 | 46 | 46 | 68 | 46 | 252 |
| – Salaries and other benefits | 1,538 | 740 | – | – | – | – | – | 2,278 |
| – Bonus *(Note)* | 88 | 855 | – | – | – | – | – | 943 |
| – Retirement benefits schemes contributions | 12 | 12 | – | – | – | – | – | 24 |
| Total emoluments | 1,638 | 1,607 | 46 | 46 | 46 | 68 | 46 | 3,497 |

*Note:* The bonus is determined based on individual performance.

In addition to the directors' remuneration disclosed above, the Group also provided rent-free accommodation to Mr. Yeung for the period from 1 January 2007 to 24 December 2007. The annual rateable value of the properties involved, which are owned by the Group, is as follows:

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Annual rateable value of the properties | **351** | 351 |

## 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, three (2006: two) were the directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining two (2006: three) individuals were as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Employees' emoluments: | | |
| – salaries and other benefits | **1,434** | 2,019 |
| – share-based payments | **222** | – |
| – bonus | **48** | 136 |
| – retirement benefits schemes contributions | **24** | 30 |
| | **1,728** | 2,185 |

The aggregate emoluments of remaining two highest paid individuals during the year did not exceed HK$1,000,000.

During the year, no emoluments was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

## 14. DIVIDENDS

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividends recognised as distribution during the year: | | |
| 2007 Interim – HK2.5 cents per share | **6,000** | – |
| 2006 Final – HK3.3 cents per share | **8,000** | – |
| | **14,000** | – |

The directors recommend the payment of a final dividend of HK5 cents per share for the year ended 31 December 2007 to the shareholders whose names appear on the register of members on 20 May 2008 amounting to approximately HK$12,000,000.

## 15. EARNINGS PER SHARE

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

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit for the year and earnings for the purposes of basic earnings per share | **60,034** | 39,098 |
| Weighted average number of shares for the purposes of basic earnings per share | **240,000,000** | 211,726,000 |

No diluted earnings per share has been presented because the exercise price of share options granted by the Company is higher than the Company's marked share price.

## 16. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| At 1 January 2006 | 2,400 |
| Increase in fair value credited to income statement for the year | 600 |
| At 31 December 2006 | 3,000 |
| Increase in fair value credited to income statement for the year | 500 |
| **At 31 December 2007** | **3,500** |

The property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. At 31 December 2007, the carrying amount of such property interests amounted to approximately HK$3,500,000 (2006: HK$3,000,000).

The carrying amount of investment properties shown above are situated in HK held under medium-term lease.

The fair value of the Group's investment properties at 31 December 2007 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress HK$'000 | Buildings HK$'000 | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| COST OR VALUATION | | | | | | | | |
| At 1 January 2006 | – | 67,510 | 160,215 | 2,158 | 3,058 | 3,836 | 25,746 | 262,523 |
| Additions | 1,410 | 46,670 | 32,984 | 75 | 307 | 851 | 1,551 | 83,848 |
| Transfer | (800) | 800 | – | – | – | – | – | – |
| At 31 December 2006 | 610 | 114,980 | 193,199 | 2,233 | 3,365 | 4,687 | 27,297 | 346,371 |
| Additions | 24,377 | 4,591 | 111,517 | 1,080 | 2,045 | 3,170 | 44,752 | 191,532 |
| Surplus on revaluation | – | 16,283 | – | – | – | – | – | 16,283 |
| Disposals | – | (1,763) | – | – | – | – | (318) | (2,081) |
| Transfer | (22,087) | – | – | – | – | – | 22,087 | – |
| At 31 December 2007 | 2,900 | 134,091 | 304,716 | 3,313 | 5,410 | 7,857 | 93,818 | 552,105 |
| Comprising: | | | | | | | | |
| At cost | 2,900 | – | 304,716 | 3,313 | 5,410 | 7,857 | 93,818 | 418,014 |
| At valuation – 2007 | – | 134,091 | – | – | – | – | – | 134,091 |
| | 2,900 | 134,091 | 304,716 | 3,313 | 5,410 | 7,857 | 93,818 | 552,105 |
| DEPRECIATION AND AMORTISATION | | | | | | | | |
| At 1 January 2006 | – | 3,753 | 37,960 | 368 | 1,816 | 1,619 | 6,434 | 51,950 |
| Provided for the year | – | 1,366 | 17,571 | 238 | 361 | 746 | 2,654 | 22,936 |
| At 31 December 2006 | – | 5,119 | 55,531 | 606 | 2,177 | 2,365 | 9,088 | 74,886 |
| Provided for the year | – | 2,400 | 22,046 | 284 | 656 | 1,023 | 3,622 | 30,031 |
| Elimination on revaluation | – | (7,119) | – | – | – | – | – | (7,119) |
| Elimination on disposals | – | (400) | – | – | – | – | (191) | (591) |
| At 31 December 2007 | – | – | 77,577 | 890 | 2,833 | 3,388 | 12,519 | 97,207 |
| CARRYING VALUES | | | | | | | | |
| At 31 December 2007 | 2,900 | 134,091 | 227,139 | 2,423 | 2,577 | 4,469 | 81,299 | 454,898 |
| At 31 December 2006 | 610 | 109,861 | 137,668 | 1,627 | 1,188 | 2,322 | 18,209 | 271,485 |

## 17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation is provided using the straight line method, at the following rates per annum:

| | |
|---|---|
| Buildings | Over the remaining term of lease |
| Leasehold improvements | Over the shorter of term of lease or 10% |
| Plant and machinery | 10% |
| Furniture and fixtures | 10% |
| Motor vehicles | 18% |
| Office equipment | 18% |

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The Group's buildings and construction in progress comprises: | | |
| Medium-term lease situated in HK | **–** | 1,402 |
| Medium-term land use rights situated in the PRC | **136,991** | 109,069 |
| | **136,991** | 110,471 |

At 31 December 2007, the building certificate of one of the buildings owned by the Group amounting to approximately HK$60,000,000 (2006: HK$46,108,000) had not been obtained. The directors believe that the relevant building certificates will be granted in the due course and the absence of official certificates does not impair the value of the relevant properties of the Group.

At 31 December 2007, the carrying values of the Group's plant and machinery and motor vehicles include an aggregate amount of approximately HK$144,238,000 (2006: HK$94,640,000) in respect of assets held under finance leases.

At 31 December 2007, the buildings of the Group were revalued by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK$110,689,000.

## 18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Leasehold land in HK under medium-term lease | **–** | 6,655 |
| Leasehold land in the PRC under medium-term lease | **31,603** | 29,064 |
| | **31,603** | 35,719 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **30,822** | 34,822 |
| Current assets | **781** | 897 |
| | **31,603** | 35,719 |

The prepaid lease payment is charged to the consolidated income statement over the term of the lease on a straight line basis.

As at 31 December 2007, the land use right certificate amounting to approximately HK$18,197,000 (2006: HK$15,240,000) was not obtained. The directors believe that the relevant land use right certificate will be granted in the due course.

## 19. INVENTORIES

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Raw materials | **40,428** | 24,988 |
| Work in progress | **13,732** | 22,438 |
| Finished goods | **34,773** | 20,494 |
| | **88,933** | 67,920 |

## 20. TRADE, BILLS AND OTHER RECEIVABLES

### (a) Trade and other receivables

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Trade receivables | **242,960** | 251,695 |
| Less: Allowance for doubtful debts | **(11,000)** | (8,211) |
| Total trade receivables, net of allowance | **231,960** | 243,484 |
| Other receivables and prepayments | **12,913** | 21,252 |
| | **244,873** | 264,736 |

The Group generally allows an average credit period of 30 days to 150 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| 0 – 30 days | **58,854** | 74,218 |
| 31 – 60 days | **62,141** | 64,045 |
| 61 – 90 days | **51,410** | 54,271 |
| 91 – 180 days | **58,487** | 47,113 |
| Over 180 days | **1,068** | 3,837 |
| | **231,960** | 243,484 |

Before accepting any new customer, the Group will evaluate the potential customer's credit risk and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

At the respective balance sheet dates, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$63,772,000 (2006: HK$78,880,000) which are past due for which the Group has not provided for impairment loss.

## 20. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

### (a) Trade and other receivables *(continued)*

These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| 31 – 60 days | **13,951** | 10,383 |
| 61 – 90 days | **11,251** | 23,349 |
| 91 – 180 days | **37,502** | 41,311 |
| Over 180 days | **1,068** | 3,837 |
| Total | **63,772** | 78,880 |

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **8,211** | 6,830 |
| Impairment losses recognised on receivables | **2,789** | 1,686 |
| Amounts written off as uncollectible | **–** | (305) |
| Balance at end of the year | **11,000** | 8,211 |

The impairment recognized represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The trade receivables are impaired because of significant financial difficulty of the counterparties.

## 20. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

**(b) Bills receivable**

The aged analysis of bills receivable is as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **59** | 35 |
| 31 – 60 days | **3,258** | 930 |
| 61 – 90 days | **2,207** | 1,040 |
| 91 – 180 days | **493** | 446 |
| | **6,017** | 2,451 |

Included in the Group's trade, bills and other receivables balance are debtors with aggregate amount of HK$203,195,000 and HK$20,000,000 (2006: HK$144,232,000 and HK$69,993,000) which are denominated in US$ and RMB other than the functional currency of respective group entities are exposed to currency risk.

## 21. AMOUNT DUE FROM A RELATED COMPANY

The amount due from Illumination Limited, a company owned by Mr. Yeung, represents receivable on the consideration on disposal of a property interest during the year and was subsequently settled in February 2008.

The related company's account disclosed pursuant to section 161B of the Companies Ordinance is as follows:

| **Director** | **Terms of loan** | **Balance at 31 December 2007** | **Balance at 1 January 2007** | **Maximum amount outstanding during the year** |
|---|---|---|---|---|
| | | HK$'000 | HK$'000 | HK$'000 |
| Mr. Yeung (Director) | Unsecured and interest free | 13,680 | – | 14,400 |

## 22. PLEDGED BANK DEPOSITS

As at 31 December 2007, all pledged bank deposits were discharged due to repayment of bank borrowings. The pledged deposits of HK$8,767,000 at 31 December 2006 carried market interest rate in the range of 2.15% to 3.95% per annum.

Bank balances and cash of HK$27,278,000 and HK$21,317,000 (2006: HK$nil and HK$7,719,000) are denominated in US$ and RMB other than the functional currency of respective group entities are exposed to currency risk.

Bank balances carried at market interest rates ranging from 0.25% to 1.05% per annum (2006: 0.25% to 1.25% per annum).

## 23. TRADE, BILLS AND OTHER PAYABLES

### (a) Trade and other payables

The aged analysis of trade payables is as follows:

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| 0 – 30 days | **29,720** | 36,589 |
| 31 – 60 days | **29,320** | 44,072 |
| 61 – 90 days | **46,774** | 41,708 |
| 91 – 180 days | **46,754** | 44,509 |
| Over 180 days | **3,411** | 2,231 |
| | **155,979** | 169,109 |
| Other payables and accruals | **42,631** | 17,260 |
| | **198,610** | 186,369 |

### (b) Bills payable

The aged analysis of bills payable is as follows:

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| 0 – 30 days | **1,604** | 7,168 |
| 31 – 60 days | **4,566** | 3,197 |
| 61 – 90 days | **6,685** | 4,544 |
| 91 – 180 days | **11,478** | 3,593 |
| | **24,333** | 18,502 |

Included in the Group's trade, bills and other payables balance are creditors with aggregate amount of HK$56,992,000 and HK$57,300,000 (2006: HK$55,306,000 and HK$96,810,000) which are denominated in US$ and RMB are exposed to currency risk.

## 24. BANK AND OTHER BORROWINGS

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Bank loans | **202,004** | 142,790 |
| Trust receipt loans | **61,056** | 36,766 |
| Bank overdraft | **–** | 1,445 |
| | **263,060** | 181,001 |
| Analysed as: | | |
| Secured | **130,000** | 67,005 |
| Unsecured | **133,060** | 113,996 |
| | **263,060** | 181,001 |
| Carrying amount repayable: | | |
| On demand or within one year | **143,899** | 180,922 |
| More than one year, but not exceeding two years | **119,161** | 79 |
| | **263,060** | 181,001 |
| Less: Amount due within one year shown under current liabilities | **(143,899)** | (180,922) |
| | **119,161** | 79 |

The bank loans were secured by assets of the Group as disclosed in note 33.

Included in the Group's bank and other borrowings balance are borrowings with aggregate amount of nil (2006: HK$49,505,000) which are denominated in RMB other than functional currency of respective group entities are exposed to currency risk.

As at 31 December 2007, the balances of fixed-rate borrowings and variable-rate borrowings are nil (2006: HK$49,505,000) and HK$263,060,000 (2006: HK$131,496,000) respectively.

The contractual interest rates of variable-rate bank loans are HIBOR plus 1.50% to 2.50% for both years. Interest is repricing every year.

## 24. BANK AND OTHER BORROWINGS *(continued)*

The ranges of interest rates on the Group's borrowings are as follows:

| | **2007** | 2006 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | **N/A** | 6.34% |
| Variable-rate borrowings | **4.65% to 6.90%** | 5.15% to 6.60% |

## 25. OBLIGATIONS UNDER FINANCE LEASES

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **43,903** | 24,444 | **39,008** | 22,276 |
| In the second year | **36,920** | 16,139 | **34,257** | 15,005 |
| In the third year | **21,893** | 9,137 | **21,132** | 8,707 |
| In the fourth year | **4,192** | 2,988 | **4,093** | 2,834 |
| In the fifth year | **184** | – | **181** | – |
| | **107,092** | 52,708 | | |
| Less: Future finance charges | **(8,421)** | (3,886) | | |
| Present value of lease obligations | **98,671** | 48,822 | **98,671** | 48,822 |
| Less: Amount due within one year shown under current liabilities | | | **(39,008)** | (22,276) |
| Amount due after one year | | | **59,663** | 26,546 |

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is two years and the contractual interest rates of leases are HIBOR plus 1.88% to 2% for both years. For the year ended 31 December 2007, the contractual interest rates of borrowing ranging from 4.63% to 7.12% (2006: 4.33% to 6.86%) per annum and the average effective borrowing rate was 6.5% (2006: 6.6%) per annum. All leases are denominated in function currency of respective group entity and no arrangement has been entered into for contingent rental payments.

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

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company and subsidiaries of the Company.

## 26. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

| | Accelerated tax depreciation HK$'000 | Revaluation of properties HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2006 | 642 | – | 642 |
| Charge to consolidated income statement for the year | 1,670 | – | 1,670 |
| At 31 December 2006 | 2,312 | – | 2,312 |
| Charge to consolidated income statement for the year | 940 | – | 940 |
| Charge to equity for the year | – | 6,029 | 6,029 |
| **At 31 December 2007** | **3,252** | **6,029** | **9,281** |

At 31 December 2007, the Group had unused tax losses of approximately HK$2,843,000 (2006: HK$2,758,000) available for offset against future assessable profits in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax loss can be carried forward indefinitely.

## 27. SHARE CAPITAL

| | Number of shares | Nominal value HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.1 each | | |
| At 1 January 2006, 31 December 2006 and 31 December 2007 | 2,000,000,000 | 200,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.1 each | | |
| At 1 January 2006 | 100,000 | 10 |
| Capitalisation issue *(Note i)* | 179,900,000 | 17,990 |
| Issue of shares by way of placing and public offer *(Note ii)* | 60,000,000 | 6,000 |
| At 31 December 2006 and 31 December 2007 | 240,000,000 | 24,000 |

## 27. SHARE CAPITAL *(continued)*

*Notes:*

(i) On 5 June 2006, the Company issued 179,900,000 shares to Mr. Yeung by capitalising HK$17,990,000 standing to the credit of share premium unconditional upon placing and public offer. These new shares ranked pari passu in all respects with the then existing shares.

(ii) On 23 June 2006, the Company issued 60,000,000 shares of HK$0.1 each at a price of HK$1 per share to the public. These new shares ranked pari passu in all respects with the then existing shares.

## 28. RESERVES

### (a) PRC statutory reserve

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

### (b) Special reserve

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the Reorganisation.

## 29. SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The directors may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The exercise price of the share options is determined, at the discretion of the Directors, and must be at least the higher of:

(a) the average of the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options;

(b) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options; and

(c) the nominal value of the shares of the Company.

## 29. SHARE OPTION SCHEME *(continued)*

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 23 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses the details of the Company's share options and movements during the year:

| | **Balance at 1 January 2007** HK$ | **Granted during the year** HK$ | **Forfeited during the year** HK$ | **Balance at 31 December 2007** HK$ |
|---|---|---|---|---|
| **Directors** | – | 7,800,000 | – | 7,800,000 |
| **Other employees** | – | 7,760,000 | (1,780,000) | 5,980,000 |
| | – | 15,550,000 | (1,780,000) | 13,780,000 |
| Exercisable at the end of the year | | | | – |

The exercise price per share is HK$1.52.

The options were granted on 3 July 2007 and will be expired on 2 July 2011. The closing price of the Company's share immediately before the date on which the options were granted was HK$1.50.

Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date grant.

## 29. SHARE OPTION SCHEME *(continued)*

The total fair value of the share options granted during the year is HK$10,313,000 (2006: nil). With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Directors' emoluments | **1,652** | – |
| Other staff costs | **1,565** | – |
| | **3,217** | – |

The fair values of the share options granted during the year were calculated using the binominal model. The inputs into the model were as follows:

| | **2007** | 2006 |
|---|---|---|
| Exercise price | **HK$1.52** | – |
| Share price on date of grant | **HK$1.52** | – |
| Expected volatility | **58.24%** | – |
| Expected life | **4 years** | – |
| Risk-free rate | **4.18%** | – |
| Expected dividend yield | **2.19%** | – |

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year. The expected life used in the model is based on management's best estimate.

## 30. MAJOR NON-CASH TRANSACTION

During the year, the Company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$80,663,000 (2006: HK$24,017,000).

## 31. OPERATING LEASE

### (a) Operating lease commitments

*The Group as lessee*

Minimum lease payments paid under operating leases

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Premises | **854** | 930 |

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Within one year | **778** | 848 |
| In the second year | **755** | 718 |
| In the third year | **504** | 718 |
| In the fourth year | **–** | 453 |
| | **2,037** | 2,737 |

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term ranging from one to three years with fixed rental.

## 31. OPERATING LEASE *(continued)*

### (b) Operating lease arrangements

*The Group as lessor*

Property rental income earned during the year was approximately HK$540,000 (2006: HK$470,000). The outgoing of the rental income was approximately HK$51,000 (2006: HK$57,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Within one year | **208** | 250 |
| In the second to fifth year inclusive | **–** | 187 |
| | **208** | 437 |

The properties held have committed tenants for an average terms ranging from one to two years.

## 32. CAPITAL COMMITMENT

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | **23,057** | 5,971 |

## 33. PLEDGE OF ASSETS

As at 31 December 2007, the total equity interest of two PRC subsidiaries of HK$353,553,000 (2006: nil) were pledged to banks to secure general banking facilities granted to the Group. The following assets were pledged to banks to secure general banking facilities granted to the Group in 2006 and released during the year.

| | HK$'000 |
|---|---|
| Bank deposits | 8,767 |
| Investment properties | 3,000 |
| Buildings | 63,306 |
| Prepaid lease payments of land use right | 20,479 |
| | 95,552 |

## 34. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC government is to make the required contributions under the schemes.

## 35. RELATED PARTY DISCLOSURES

Details of transactions between the Group and other related parties are disclosed below:

(a) The remuneration of directors (representing key management) during the year are set out in note 12.

(b) During the year, the Group has disposed of a property interest in HK to Illumination Limited, a company owned by Mr. Yeung, the substantial shareholder and an executive director of the Company at a consideration of HK$14,400,000. Such property was used and occupied by Mr. Yeung as director's quarter. Having regard to the then property market in HK, the directors considered that the disposal represented a good opportunity to realise a gain for the disposal. The terms of the sales and purchase agreement were arrived at arm's length negotiations and are on normal commercial terms.

The disposal was approved by the shareholders in the extraordinary general meeting held on 24 December 2007 and was completed before year end. Details of the consideration due from Illumination Limited at the balance sheet date is set out in note 21.

(c) As at 31 December 2007, certain of the Group's bank loan amounting to HK$6,082,000 were secured by a personal property owned by Mr. Yeung (2006: Nil).

## 36. SEGMENTAL INFORMATION

**Business segments**

For management purposes, the Group is currently organised into the following three business divisions :

Principal activities are manufacturing and trading of:

– Single-sided printed circuit board ("PCB") ("Single-sided")
– Double-sided PCB ("Double-sided")
– Multi-layered PCB ("Multi-layered")

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| TURNOVER – external sales | | |
| Single-sided | **173,076** | 146,135 |
| Double-sided | **410,488** | 340,456 |
| Multi-layered | **157,404** | 126,565 |
| Total | **740,968** | 613,156 |
| RESULT | | |
| Segment result | | |
| – single-sided | **8,213** | 6,138 |
| – double-sided | **60,334** | 34,630 |
| – multi-layered | **20,574** | 12,601 |
| | **89,121** | 53,369 |
| Unallocated income | **10,392** | 13,067 |
| Unallocated expenses | **(11,731)** | (6,859) |
| Finance costs | **(17,183)** | (11,250) |
| Profit before tax | **70,599** | 48,327 |
| Income tax expense | **(10,565)** | (9,229) |
| Profit for the year | **60,034** | 39,098 |

## 36. SEGMENTAL INFORMATION *(continued)*

**CONSOLIDATED BALANCE SHEET**

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| ASSETS | | |
| Segment assets | | |
| – single-sided | **120,294** | 119,817 |
| – double-sided | **281,250** | 300,488 |
| – multi-layered | **388,797** | 178,402 |
| | **790,341** | 598,707 |
| Unallocated corporate assets | **130,810** | 94,092 |
| Consolidated total assets | **921,151** | 692,799 |
| LIABILITIES | | |
| Segment liabilities | | |
| – single-sided | **58,854** | 45,529 |
| – double-sided | **139,586** | 105,171 |
| – multi-layered | **53,525** | 39,707 |
| | **251,965** | 190,407 |
| Unallocated corporate liabilities | **360,706** | 260,536 |
| Consolidated total liabilities | **612,671** | 450,943 |

**OTHER INFORMATION**

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Capital additions | | |
| – single-sided | **1,047** | 1,415 |
| – double-sided | **2,196** | 25,138 |
| – multi-layered | **179,957** | 39,107 |
| – unallocated | **8,332** | 18,188 |
| | **191,532** | 83,848 |
| Depreciation | | |
| – single-sided | **3,390** | 3,419 |
| – double-sided | **10,034** | 10,198 |
| – multi-layered | **9,235** | 5,033 |
| – unallocated | **7,372** | 4,286 |
| | **30,031** | 22,936 |
| Impairment loss recognised in respect of trade receivables | | |
| – single-sided | **651** | 329 |
| – double-sided | **1,545** | 766 |
| – multi-layered | **593** | 591 |
| | **2,789** | 1,686 |

## 36. SEGMENTAL INFORMATION *(continued)*

**Geographical segments**

The Group's operations are located in HK and the PRC.

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

| | Sales revenue by geographical market | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| HK | **460,809** | 323,892 |
| The PRC | **81,249** | 152,765 |
| Europe | **99,909** | 64,704 |
| Asia | **75,620** | 56,195 |
| Others | **23,381** | 15,600 |
| | **740,968** | 613,156 |

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

| | Carrying amount of segment assets | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| HK | **257,014** | 76,376 |
| The PRC | **533,327** | 522,331 |
| | **790,341** | 598,707 |

| | Additions to property, plant and equipment | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| HK | **2,952** | 25,520 |
| The PRC | **188,580** | 58,328 |
| | **191,532** | 83,848 |

## 37. SUBSIDIARIES OF THE COMPANY

Particulars of the Company's wholly-owned subsidiaries at 31 December 2007 and 2006 are set out below:

| Name of subsidiary | Place and incorporation/ operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ paid up capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| Pacific Leader 亮宇發展有限公司 | HK | Ordinary shares HK$10,000 | 100% | – | Investment holding |
| Tat Chun PCB 達進電路版有限公司 | HK | Ordinary shares HK$600,000 | 100% | – | Trading of printed circuit boards |
| Zhongshan Electric *(Note)* 中山市達進電子元件有限公司 | The PRC | Registered capital HK$36,600,000 | – | 100% | Manufacturing and trading of printed circuit boards |
| Zhongshan PCB *(Note)* 中山市達進電子有限公司 | The PRC | Registered capital HK$140,000,000 | – | 100% | Manufacturing and trading of printed circuit boards |
| 廣東達進科技有限公司 *(Note)* | The PRC | Registered capital HK$250,000,000 | 100% | – | Manufacturing and trading of printed circuit boards |
| *TC (BVI) Limited | The British Virgin Islands/HK | Ordinary shares US$1 | 100% | – | Dormant |

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

*Note:* The companies are wholly foreign-owned enterprises established in the PRC.

* TC (BVI) Limited was incorporated during the year ended 31 December 2007.

# Financial Summary

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | **2007** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Turnover | 329,612 | 420,965 | 495,632 | 613,156 | **740,968** |
| Profit for the year | 22,211 | 37,361 | 37,289 | 39,098 | **60,034** |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | **2007** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Total assets | 365,731 | 456,911 | 491,523 | 692,799 | **921,151** |
| Total liabilities | (292,162) | (345,981) | (343,364) | (450,943) | **(612,671)** |
| Shareholders' funds | 73,569 | 110,930 | 148,159 | 241,856 | **308,480** |

*Note:* The financial information for each of the three years ended 31 December 2005 has been prepared using the principles of merger accounting to present the results of the Group as if the Group reorganisation (details refer to prospectus dated 12 June 2006), at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for the three years ended 31 December 2005, and the assets and liabilities as at 31 December 2003, 2004 and 2005 have been extracted from the Company's prospectus dated 12 June 2006.