泰豐國際集團有限公司*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00724)

Annual Report 2008

*For Identification Purpose Only

Contents

EXECUTIVE DIRECTORS
Mr. Lam Yat Keung *(President)*
Mr. Lam Hung Kit *(Chief Executive Officer)*
Ms. Lam Pik Wah

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lo Wah Wai
Mr. Ho Chi Fai
Mr. Pai Te-Tsun

COMPANY SECRETARY
Ms. Yu Miu Yee, Iris

AUDIT COMMITTEE
Mr. Lo Wah Wai
Mr. Ho Chi Fai
Mr. Pai Te-Tsun

REGISTERED OFFICE
Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
26/F., CCT Telecom Building,
11 Wo Shing Street, Fotan, Shatin, Hong Kong

LEGAL ADVISOR
Conyers Dill & Pearman
2901, One Exchange Square,
8 Connaught Place, Central,
Hong Kong

AUDITORS
SHINEWING (HK) CPA Limited
16/F., United Centre,
95 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
The Bank of Bermuda Limited
Bank of Bermuda Building,
6 Front Street, Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26/F, Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong

SHARE LISTING
The Stock Exchange of Hong Kong Limited
Stock Code:724

WEBSITE
www.semtech.com.hk
www.irasia.com/listco/hk/sinotech

RESULT OVERVIEW

Turnover of the Group has decreased to approximately HK$729.0 million in 2008 from HK$795.9 million in 2007, a decrease of 8.4% compare with last year. Profit for the year attributable to equity holders of the Company has dropped 90.9% to approximately HK$6.4 million.

DIVIDEND

The Board recommended the payment of a final dividend of HK0.10 cent per share for the year ended 31 December 2008, subject to the approval by shareholders at the forthcoming Annual General Meeting. This proposed final dividend together with the interim dividend will make a total of HK0.20 cent per share for the financial year 2008.

BUSINESS REVIEW

The outset of the global financial turmoil in 2008 significantly affected every aspect of the business environment, from the financial market down to the consumer market. This global economic contraction led to a widespread uncertainty and a sudden freeze in the global consumption. The financial performance of the Group for the year 2008 was materially affected by this economic downturn, especially in the second half of 2008.

Despite the increase in turnover for the electronic components business segment for the first half of the year 2008 as compared with the interim period 2007, the annual turnover for this segment has decreased from approximately HK$658.8 million in 2007 to approximately HK$588.3 million in 2008 and its segment result has decreased from approximately HK$89.6 million in 2007 to approximately HK$27.2 million this year. The appreciation of RMB, the rise in labour and material costs, especially in the first half of the year under review all had negative impacts to the manufacturing costs. The spillover effect of the financial crisis in the second half of 2008 has created an unprecedented rate of decline in the global consumer products market, especially the electronic products market.

The result for the electronic components business segment had included an impairment loss provision of approximately HK$19.6 million in respect of the deposit paid for a mining project in Vietnam. The Board after assessing the current economic climate of the world, especially the significant drop in value of the raw mineral resources and the potential viability of other mining investment project, had decided to impair the deposit paid due to the uncertainty in its recoverability.

The result for the lighter business segment for the year 2008 was also disappointing. This segment resulted in a loss of approximately HK$12.8 million (2007: a loss of approximately HK$2.2 million) despite an increase in turnover to approximately HK$140.8 million in 2008 from approximately HK$137.1 million in 2007. During the year, the Group has disposed of its interest in a continuously loss making jointly controlled entity in Shangdong, the PRC. The disposal will release the Group's further responsibility it may face in the upcoming worsen economic condition. Instead, the Group plans to focus its resources to streamline and restructure the existing operation in Jiangxi, the PRC.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a healthy financial position. The outstanding borrowings refer to bank and other borrowings of approximately HK$1,983,000 (2007: Nil) and finance leases obligations of approximately HK$885,000 (2007: HK$1,359,000). The gearing ratio (defined as total interest bearing borrowings divided by total equity) was 0.69% (2007: 0.32%).

The Group's cash and bank balances amounted to approximately HK$127.8 million (2007: HK$59.4 million) and its current ratio at year end had increased from 3.13 to 3.42. The Group generally finances its operations with internally generated cash flows. At the present moment, the Directors believe that the Group has sufficient financial resources to satisfy its current operations and capital expenditures requirement.

Charges on Group's Assets

The Group did not have any asset pledged at the balance sheet date (2007: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and Renminbi. The management is aware of the possible exchange rate exposure due to the continuing appreciation of Renminbi and will closely monitor its impact to the performance of the Group to see if any hedging policy is necessary. With regard to the US dollars, foreign exchange exposure would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the US dollars remains in effect.

Contingent Liabilities

The Group did not have any significant contingent liabilities at the balance sheet date (2007: Nil).

FUTURE OUTLOOK

2009 will certainly be a year of challenge to the Group. In view of the significant decline in demand during the second half of 2008, the Group has reacted quickly to lower its inventory level and closely monitor the trade receivables. As a result, the Group has successfully maintained a healthy financial position and a strong liquidity position, with cash and bank balance of HK$127.8 million being recorded at the 2008 year end, to encounter this tightened credit market condition. With the continued deterioration in global economy and rising unemployment rate, we expect the demand for electronic consumer products will be weakened and market growth for our component products will still be uncertain in year 2009.

However, after the London Summit in April 2009, the G20 groups have agreed to introduce a US$1 trillion plan and series of policies to combat the global recession. Together with the PRC Government's 4 trillion yuan stimulus package and the subsidy for white goods in rural areas, hopefully all these activities will help to rebuild public confidence and boost market consumption. The Group is confident to be able to capitalize on all these opportunities to further develop the PRC market and increase its market share in the future upcoming world economic recovery. The Board will continue to review the Group's business in a cautious way, to restructure and sharpen our competitive edge in order to face the challenges ahead with the intention to increase overall shareholders' wealth.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere gratitude to my fellow directors, dedicated employees for their commitment and contributions to the Group. I would also take this opportunity to thank all shareholders and business partners for their continued support to the Group.

Lam Yat Keung
President

Hong Kong
15 April 2009

Executive Directors

Mr. LAM Yat Keung, aged 52, was appointed as President of the Company on 13 December 2003. He has over 29 years of experience in business development, strategic planning, policy making and research and development in the manufacturing industry in Hong Kong and the PRC, particularly in the consumer products and electronic components sectors. He is mainly responsible for strategic development and operating direction of the Group.

Mr. LAM Hung Kit, aged 42, was appointed as Director (Chief Executive Officer) of the Company on 13 December 2003. He has over 20 years of experience in sales and marketing function for overseas markets in a number of manufacturing companies in Hong Kong and the PRC. During the same period, he was also involved in the materials control and logistic management in those companies. He is mainly responsible for market development of the Group. He is the younger brother of Ms. Lam Pik Wah.

Ms. LAM Pik Wah, aged 50, was appointed as Director of the Company on 13 December 2003. She has over 25 years of experience in operational management, production planning, material procurement and purchasing functions of the manufacturing industry in Hong Kong and the PRC. She is mainly responsible for internal administration of the Group. She is the wife of Mr. Lam Yat Keung.

Independent non-executive Directors

Mr. LO Wah Wai, aged 45, was appointed as Independent Non-Executive Director of the Company on 27 September 2004. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. He has over 20 years of experience in the accounting and finance industry. He is currently a director of Lo & Kwong C.P.A. Company Limited.

Mr. HO Chi Fai, aged 52, was appointed as Independent Non-Executive Director of the Company on 15 January 2004. He graduated from the Hong Kong Polytechnic University in 1979 with a Higher Diploma in Accountancy. Prior to joining the Group, he had over 20 years of experience working in an international bank with particular expertise in money market operations and accounting and was the financial controller of a computer manufacturer and an electronic components manufacturer.

Mr. PAI Te Tsun, aged 57, was appointed as Independent Non-Executive Director of the Company on 15 January 2004. Mr. Pai has over 30 years of operational experiences, with industry expertise ranging from raw materials production, logistic management and transportation. He is currently the Chief Executive Officer of United Highway Bus Co., Ltd., the largest long-range bus transportation company in Taiwan.

Senior Management

Mr. LAM Chun On, Owen, aged 25, is the Deputy Chief Executive Officer of the Group. He holds a Bachelor Degree in Business Management from the Boston University. He joined the Group in June 2008 and he is mainly responsible for the PRC and overseas market development and products procurement function of the electronic segment. He is the son of Mr. Lam Yat Keung and Ms. Lam Pik Wah, executive directors of the Company.

Ms YU Miu Yee, Iris, aged 40, is the Company Secretary and Financial Controller of the Group. She holds a Master of Business Administration Degree and is a fellow member of the Association of the Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Company Secretaries. She has over 15 years working experience in the financial and company secretarial field. She joined the Group in January 2004.

Mr. Alphonso G. SOONG, aged 56, is the Vice President of the Group's RFID business section. He holds a Bachelor of Science Degree in Computer Science and a Master of Science Degree in Electronic Engineering. He has over 30 years working experience in various IT and telecommunication corporations like AT&T, Tandem, One.Tel and Sunday. He joined the Group in February 2006.

Mr. AI Chuang Ping, aged 33, is the General Manager of the Quality Control and Marketing Department of the electronic segment in PRC of the Group. He holds a Diploma in Mechanical Technology from the Hunan University. He has over 14 years experience in quality control and is a qualified auditor for the ISO9000 accreditation since 2000. He has been working in various electronics manufacturing companies in the quality control and administration area prior to joining the Group in 2004.

Mr. SHER Tak Chi, aged 50, is the Director of the Group's subsidiaries in the lighter business, he is responsible for the overall strategic planning and business development of the lighter segment. He is also actively involved in product design and development. Mr. Sher has worked for the Group since its business inception in October 1981. He has over 30 years of experience in the manufacturing of cigarette lighters.

Mr. SO Kam Hing, aged 59, is the Deputy General Manager of the lighter business. He is responsible for the personnel and general management of the lighter's operation in Hong Kong. He also coordinates and supervises the operation of the Group's factory in Jiangxi, the PRC. Mr. So graduated from the Faculty of Chemistry of the Fujian Normal University and joined the Group in September 1990.

Mr. CHA Sang Gyu, aged 54, is the General Manager of the lighter business in Jiangxi Longnan. He is responsible for the administration and production management of the Group's factory in Jiangxi, the PRC. He is also in charge of the technical and engineering development of the Group's production process in the lighter business. Mr. Cha graduated from the Mokpo Technical Institute in Korea and has 35 years of mould-making experience, of which 25 years were related to the mould-making for cigarette lighters. Before joining the Group in June 1997, Mr. Cha ran his own mould manufacturing company in Korea.

The Board of Directors (the "Board") is pleased to present their report and the audited consolidated financial statements of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries as at 31 December 2008 are set out in notes 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on pages 24.

An interim dividend of HK0.10 cent per share amounting to HK$3,797,000 was paid to the shareholders during the year. The Board recommended the payment of a final dividend of HK0.10 cent per share, totaling HK$3,798,000, in respect of the year ended 31 December 2008 to be paid on or around 29 July 2009 to shareholders whose names appear on the register of members of the Company on 22 June 2009, subject to the approval by shareholders at the forthcoming Annual General Meeting. This final dividend together with the interim dividend will make a total of HK0.20 cent per share for the year ended 31 December 2008 (2007: HK0.25 cent per share).

The register of members of the Company will be closed from 18 June 2009 to 22 June 2009, both days inclusive, during which period no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00p.m. on 17 June 2009.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the past five financial years is set out on page 94.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$71,880,000 (2007: HK$78,451,000). The Company's share premium account of HK$169,876,000 (2007: HK$169,876,000) could be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

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.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 7.16% and 29.88% respectively, of the total turnover of the Group for the year.

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 13.56% and 48.45% respectively, of the total purchases of the Group for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

DIRECTORS

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

Executive directors

Mr. Lam Yat Keung
Mr. Lam Hung Kit
Ms. Lam Pik Wah

Independent non-executive directors

Mr. Lo Wah Wai
Mr. Ho Chi Fai
Mr. Pai Te Tsun

In accordance with clause 87 of the Company's bye-laws, Mr. Lam Yat Keung and Mr. Ho Chi Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors do not have specific terms of appointment but are subject to retirement on the same basis as the executive directors as required by the Company's bye-laws.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company is of the opinion that the independent status of them remains intact as at 31 December 2008 and as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the existing executive directors has entered into a service contract. The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Positions in Shares of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of shareholding	Number of warrants held
Lam Pik Wah	Held by controlled corporation	608,400,000 (note 1)	16.02%	121,000,000
Lam Hung Kit	Held by controlled corporation	608,400,000 (note 1)	16.02%	121,000,000
Lam Yat Keung	Held by family	608,400,000 (note 2)	16.02%	121,000,000

Note 1: These ordinary shares are owned by Smart Number Investments Limited ("Smart Number"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.

Note 2: These ordinary shares are owned by Smart Number, a controlled company of Ms Lam Pik Wah, the wife of Mr. Lam Yat Keung.

Save as disclosed above, none of the directors, chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as 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 benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the directors nor the chief executives, or any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of 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 A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in Shares of the Company

Shareholders	Capacity	Number of issued ordinary shares held	Percentage of shareholding	Number of warrants held
Smart Number Investments Limited (Note 1)	Beneficial owner	608,400,000	16.02%	121,000,000
Forever Gain Profits Limited (Note 2)	Beneficial owner	580,000,000	15.27%	116,000,000
Mr. Wan Bing Hung (Note 2)	Held by controlled corporation	580,000,000	15.27%	116,000,000
Mr. Kwong Chi Shing Savio (Note 3)	Beneficial owner	239,980,000	6.32%	0

Note 1: The above interests in the name of Smart Number was also disclosed as interests of certain directors under the heading "Directors' Interests in Shares".

Note 2: According to the Disclosure of Interests filing dated 3 January 2008, Forever Gain Profits Limited is wholly owned by Mr. Wan Bing Hung.

Note 3: According to the Disclosure of Interests filing dated 16 May 2006, Mr. Kwong Chi Shing Savio is beneficially interested in 239,980,000 shares of the Company.

Save as disclosed above, the Company had not been notified any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2008.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had 1,573 (2007: 2,217) employees spreading from Hong Kong to the PRC and industrial relationship had been well maintained. Remuneration policy of the Group is reviewed regularly, making reference to the legal framework, market condition, performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee, the composition and responsibilities of which are detailed in "Corporate Governance Report" below.

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees under Hong Kong employment. The MPF Scheme is a defined contribution scheme administered by independent trustees and pursuant to which the Group and its employees have to contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK$5,000 and HK$20,000 respectively with a statutory cap of HK$1,000 per month. The Group's contributions are 100% vested in the employees' account once they are paid into the MPF Scheme until the employee reaches the retirement age of 65 subject to a few exceptions.

Details of the Group's staff cost and MPF Scheme contribution are set out in Note 11 to the consolidated financial statement.

SHARE OPTION SCHEME

The Company has adopted a share option schemes on 28 November 2002 (the "Share Option Scheme") for which the details are set out in note 32 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Details of the connected transactions of the Group during the year are set out in note 39 to the consolidated financial statements. These transactions were not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient public float as required by the Listing Rules.

AUDITORS

SHINEWING (HONG KONG) CPA Limited will retire and, being eligible, will offer themselves for reappointment as auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

Lam Yat Keung
President

Hong Kong, 15 April 2009

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which became effective on 1 January 2005 as its own code of corporate governance practices. In the opinion of the Directors, the Company has met the code provisions set out in the CG Code for the year ended 31 December 2008. The Directors will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE PRACTICES

A Directors

A.1 The Board

The Board should assume responsibility for leadership and control of the Company, direct and supervise the Company's affairs. During the financial year ended 31 December 2008, the Board held five meetings.

The attendance of the Directors at the board meetings are as follows:

	Attendance
Executive Directors:	
Mr. Lam Yat Keung	4/5
Mr. Lam Hung Kit	5/5
Ms. Lam Pik Wah	4/5
Independent non-executive Directors:	
Mr. Lo Wah Wai	4/5
Mr. Ho Chi Fai	5/5
Mr. Pai Te-Tsun	5/5

All Directors are given an opportunity to include matters in the agenda for regular board meetings. Notices of 14 days are given of a regular meeting and reasonable notice are given for other meetings. The Directors have access to the advice and services of the Company Secretary and agreed procedure for them to seek independent professional advice at the Company's expenses. Minutes of the board meetings in sufficient details are being kept by the Company Secretary and open for inspection by the Directors.

In case a substantial shareholder or a Director has a conflict of interest in a material matter, a board meeting should be held and such Director must abstain from voting and not be counted in quorum.

A.2 Chairman and Chief Executive Officer ("CEO")

A clear division of responsibilities helps to ensure a balance of power and authority, as a result the role of the President (i.e. the "Chairman" in the CG Code) and the CEO are separated. Mr. Lam Yat Keung has been appointed President of the Company to manage the Board while Mr. Lam Hung Kit has been appointed CEO to assume the responsibilities in the day-to-day management of the Company's business.

The President has briefed all Directors on issue arising at the board meetings and ensured that all Directors have received adequate information in a timely manner.

A.3 Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company and a balanced composition of executive and non-executive directors which can effectively exercise independent judgment. The Independent non-executive Directors, representing half of the Board, are expressly identified in all corporate communications.

The executive Directors of the Company have family relationship with one and other. Ms. Lam Pik Wah is the wife of Mr. Lam Yat Keung (the President) and also the elder sister of Mr. Lam Hung Kit (the Chief Executive Officer).

A.4 Appointments, Re-election and Removal

The Company has established a formal, considered and transparent procedure for the appointment of new directors to the Board. According to the Bye-law of the Company, one-third of the Directors (including the Independent non-executive Directors) shall retire from office by rotation at each annual general meeting. That means that a Director's specific term of appointment cannot exceed three years for a total of six Directors.

A.5 Responsibilities of Directors

Every Director is required to keep abreast of his responsibilities, conduct, business activities and development of the Company. In case there is newly appointed director, a comprehensive, formal induction will be given to ensure that he has a proper understanding of the business and his responsibilities.

The non-executive Directors are required to bring an independent judgment at board meetings; take the lead where potential conflicts of interest arise; serve on committees if invited; and scrutinize the Company's performance. Every Director should ensure that he can give sufficient time and attention to the affairs of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company (the "Model Code"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2008.

A.6 Supply of and Access to Information

An agenda of the board meeting is sent to Directors at least 3 days before the intended date of a meeting or such other period as agreed and they have separate and independent access to the Company's senior management to supply adequate information as board papers and related materials and for them to make an informed decision.

B. Remuneration of Directors and Senior Management

B.1 The Level and Make Up of Remuneration and Disclosure

The Company has established a Remuneration Committee with specific written terms of reference. All the Independent Non-Executive Directors and the CEO are the members of the committee and Mr. Lo Wah Wai was elected chairman of the committee. The purpose of the committee is to set out its recommendation on the remuneration package of the executive Directors. The Committee has met in 2008 to review and recommend the remuneration package of the executive Directors and senior management.

C. Accountability and Audit

C.1 Financial Reporting

The management has regularly provided 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 for preparing the financial statements and presenting a balance, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules and reports to regulators.

C.2 Internal Control

The directors conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of the Company's staff in accounting and financial reporting function together with their training programmes and budget.

C.3 Audit Committee

Currently, all members of the Audit Committee are Independent Non-executive Directors of the company and Mr. Lo Wah Wai was elected chairman of the committee.

Clear terms of reference of the Audit Committee has been established in regarding the recommendation to the Board for appointment or removal of the Company's external auditor, to review and monitor its independence and objectivity and to develop and implement policy on the engagement of non-audit services by external auditor. Apart from monitoring the integrity of financial statements, the committee also reviews significant financial reporting judgments on the Company's annual and interim reports and overseeing the Company's financial reporting system and internal control procedures.

During the financial year 2008, two meetings were held, the attendance of the members at the meetings are as follows:

Mr. Lo Wah Wai	2/2
Mr. Ho Chi Fai	2/2
Mr. Pai Te-Tsun	2/2

Full minutes of the meetings are being kept by the Company Secretary after receiving comments from the members on the draft. The committee had also held a meeting with the Company's external auditors during the year.

The amount of external auditors' remuneration has been disclosed in Note 10 to the consolidated financial statements.

The committee has recommended to the Board that the shareholders be asked to re-appoint SHINEWING (HK) CPA Limited as the Group's external auditor for 2009.

D. Delegation by the Board

D.1 Management Function

A clear direction to management is given as to the matters that must be approved by the board before decisions are made on behalf of the Company. The daily operation of the Company is delegated to the management, with division heads responsible for different aspects of the business. Major corporate matters that require Board decision includes long-term objectives and strategies; extension of group activities into new business areas; implementation of adequate systems of internal control and risk management procedures and compliance with relevant statutory requirements and rules and regulations.

D.2 Board Committees

The Company currently has two Board Committees, the Audit Committee and the Remuneration Committee. All Board Committees have clear and specific written terms of reference and they report their work to the Board after each meeting.

E. Communication with Shareholders

E.1 Effective Communication

Separate resolution has been proposed by the chairman of that meeting in respect of each substantially separate issue at a general meeting. The President of the Board, the Chairman of the audit and remuneration committee had attended the 2008 Annual General Meeting of the Company to answer questions at the meeting. Notice of the 2009 Annual General Meeting has been sent to shareholders in accordance with the Listing Rules.

E.2 Voting by Poll

The Company has informed the shareholders in its circulars convening general meetings the procedures for conducting a poll and the chairman of a meeting has, at the commencement of the meeting, ensured that an explanation is provided of the detailed procedures conducting a poll.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
SINO-TECH INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 93, which comprise the consolidated balance sheet as at 31 December 2008, 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'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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 2008 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
15 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	7	729,045	795,909
Cost of sales		(635,633)	(662,766)
Gross profit		93,412	133,143
Other income	8	4,822	8,692
Distribution costs		(14,097)	(12,335)
Administrative expenses		(39,216)	(39,208)
Impairment loss on trade and other receivables		(27,932)	(2,977)
Other expenses		(3,338)	(612)
Finance costs	9	(121)	(86)
Profit before taxation	10	13,530	86,617
Taxation	12	(7,131)	(16,132)
Profit for the year attributable to equity holders of the Company		6,399	70,485
Dividends	13	7,595	9,494
Earnings per share (in Hong Kong cents):	14		
Basic		0.17	1.86
Diluted		0.16	1.76

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**130,944**	102,354
Prepaid lease payments	18	**1,672**	1,628
Other intangible assets	19	**290**	632
Interest in a jointly controlled entity	20	**–**	(1,435)
Deposits for acquisition of property, plant and equipment		**–**	16,364
		132,906	119,543
Current assets			
Inventories	21	**116,404**	159,489
Trade and bills receivables	22	**171,020**	207,608
Prepaid lease payments	18	**41**	39
Prepayments, deposits and other receivables	23	**5,240**	29,467
Bank balances and cash	24	**127,797**	59,374
		420,502	455,977
Current liabilities			
Trade and bills payables	25	**100,113**	113,207
Other payables and accruals	26	**16,413**	22,028
Tax payable		**4,057**	9,902
Borrowings – unsecured	27	**1,769**	–
Obligations under finance leases – due within one year	28	**444**	474
		122,796	145,611
Net current assets		**297,706**	310,366
Total assets less current liabilities		**430,612**	429,909

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Borrowings – unsecured	27	214	–
Obligations under finance leases			
– due after one year	28	441	885
Employee benefits	29	408	394
Deferred tax liabilities	30	11,662	10,285
		12,725	11,564
		417,887	418,345
Capital and reserves			
Share capital	31	37,975	37,975
Reserves		379,912	380,370
Equity attributable to equity holders of the Company		417,887	418,345
Minority interests		–	–
		417,887	418,345

The consolidated financial statements on pages 24 to 93 were approved and authorised for issue by the Board of Directors on 15 April 2009 and are signed on its behalf by:

Director
Lam Yat Keung

Director
Lam Pik Wah

	Share capital	Share premium	Contributed surplus (Note)	Share-based compensation reserve	Property revaluation reserve	Foreign exchange reserve	Proposed final dividend	Accumulated profits	Equity attributable to shareholders of the Company	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	37,975	169,876	5,800	7,748	952	(1,184)	17,089	131,917	370,173	–	370,173
Deficit on revaluation of property	–	–	–	–	(383)	–	–	–	(383)	–	(383)
Exchange realignments	–	–	–	–	–	855	–	–	855	–	855
Net income (expense) recognised directly in equity	–	–	–	–	(383)	855	–	–	472	–	472
Profit for the year representing total recognised income and expense for the year	–	–	–	–	–	–	–	70,485	70,485	–	70,485
Final 2006 dividend paid	–	–	–	–	–	–	(17,089)	–	(17,089)	–	(17,089)
Interim 2007 dividend paid	–	–	–	–	–	–	–	(5,696)	(5,696)	–	(5,696)
Final 2007 dividend proposed	–	–	–	–	–	–	3,798	(3,798)	–	–	–
At 31 December 2007 and 1 January 2008	37,975	169,876	5,800	7,748	569	(329)	3,798	192,908	418,345	–	418,345
Deficit on revaluation of property	–	–	–	–	(569)	–	–	–	(569)	–	(569)
Exchange realignments	–	–	–	–	–	1,307	–	–	1,307	–	1,307
Net income (expense) recognised directly in equity	–	–	–	–	(569)	1,307	–	–	738	–	738
Profit for the year representing total recognised income and expense for the year	–	–	–	–	–	–	–	6,399	6,399	–	6,399
Final 2007 dividend paid	–	–	–	–	–	–	(3,798)	–	(3,798)	–	(3,798)
Interim 2008 dividend paid	–	–	–	–	–	–	–	(3,797)	(3,797)	–	(3,797)
Final 2008 dividend proposed	–	–	–	–	–	–	3,798	(3,798)	–	–	–
Share option forfeited by employee	–	–	–	(408)	–	–	–	408	–	–	–
At 31 December 2008	**37,975**	**169,876**	**5,800**	**7,340**	**–**	**978**	**3,798**	**192,120**	**417,887**	**–**	**417,887**

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group's holding company acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	13,530	86,617
Adjustments for:		
Interest income	(634)	(1,043)
Interest expenses	121	86
Impairment loss on property, plant and equipment	2,938	–
Depreciation of property, plant and equipment	25,962	20,846
Amortisation of other intangible assets	357	461
Amortisation of prepaid lease payments	41	39
Amortisation of deferred income	–	(482)
Write-down of inventories	917	536
Impairment loss on other receivables	19,585	–
Impairment loss on trade receivables	8,347	2,977
Write off of trade receivables	400	612
Reversal of impairment loss on trade receivables	(54)	(1,250)
Revaluation deficit on leasehold buildings	2,131	–
Gain on disposal of a subsidiary	(478)	–
Write off of property, plant and equipment	102	–
Loss on disposal of property, plant and equipment	–	28
Operating profit before working capital changes	73,265	109,427
Decrease (increase) in inventories	42,168	(3,631)
Decrease (increase) in trade and bills receivables	27,861	(52,602)
Decrease (increase) in prepayments, deposits and other receivables	4,642	(22,009)
(Decrease) increase in trade and bills payables	(13,094)	8,786
(Decrease) increase in other payables and accruals	(5,615)	5,446
Increase (decrease) in employee benefits	14	(43)
Cash generated from operations	129,241	45,374
Income taxes paid	(11,599)	(12,880)
NET CASH FROM OPERATING ACTIVITIES	117,642	32,494

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(43,083)**	(20,717)
Net cash flow from disposal of a subsidiary	**(14)**	–
Additions to intangible assets	**(15)**	(62)
Interest received	**634**	1,043
Proceeds from disposal of property, plant and equipment	**–**	141
Deposits paid for acquisition of property, plant and equipment	**–**	(16,364)
NET CASH USED IN INVESTING ACTIVITIES	**(42,478)**	(35,959)
FINANCING ACTIVITIES		
Dividends paid	**(7,595)**	(22,785)
Repayment of obligations under finance leases	**(474)**	(420)
Interest paid on obligations under finance leases	**(76)**	(86)
Interest paid on borrowings	**(45)**	–
Repayment of borrowings	**(17)**	–
New borrowings raised	**2,000**	–
NET CASH USED IN FINANCING ACTIVITIES	**(6,207)**	(23,291)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**68,957**	(26,756)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**59,374**	86,588
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(534)**	(458)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**127,797**	59,374

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business is at 26/F, CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and its subsidiaries (the "Group").

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standards ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation ("Int") 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 July 2008.
[5] Effective for annual periods beginning on or after 1 October 2008.
[6] Effective for transfers of assets from customers received on or after 1 July 2009.
[7] Effective for annual periods ending on or after 30 June 2009.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

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

Service income is recognised when service is rendered.

Property, plant and equipment

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 amounts, 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 value 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 accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Other property, plant and equipment (other than 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 property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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 or, where shorter, the term of the relevant lease.

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

Other intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 that 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 difference 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) Defined contribution retirement benefits plans

Obligations for contributions to defined contribution retirement benefits plan are recognised as an expense in the consolidated income statement when employees have rendered services entitling them to the contributions.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) Employee entitlements

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 mainly 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 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.

Interest income is recognised on an effective interest basis for debt instruments.

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 and bills receivables, deposits and other receivables, bank balances and cash) 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).

3. 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 affected.

For all 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 and bills receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on 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 30-120 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 assets is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables and deposits, 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 trade and bills receivables or other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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.

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 mainly 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.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, borrowings, obligations under finance leases and employee benefits are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based compensation 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 during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in share-based compensation 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-based compensation reserve will be transferred to accumulated profits.

Share options granted to suppliers and other eligible persons

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as 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.

Borrowing costs

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

Prepaid lease payments

Prepaid lease payments in respect of leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and amortised over the period of the lease on a straight-line basis to the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets and intangible assets

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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

Depreciation of property, plant and equipment

The Group's carrying value of property, plant and equipment as at 31 December 2008 was approximately HK$130,944,000. The Group depreciates the property, plant and equipment on a straight-line basis at the rate of 2% – 30% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and 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.

Impairment on trade and other receivables

The policy for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of the trade and other receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required.

Write-down on inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimate of fair value of leasehold buildings

As described in note 17, the Group's leasehold buildings were revalued at the balance sheet date on an open market value basis by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

5. CAPITAL RISK MANAGEMENT

The Group's capital risk management objectives are:

– to ensure the Group's ability to continue as a going concern
– to maximise the return to shareholders

The directors of the Company consider the Group's capital comprise equity, which includes share capital and reserves, borrowings and bank balances and cash and will conduct review to balance its overall capital structure periodically. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, new shares issue as well as share options. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

The directors of the Company also endeavour to ensure the steady and reliable cash flow from the normal business operation. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)		
Trade and bills receivables	171,020	207,608
Deposits and other receivables	1,996	5,141
Bank balances and cash	127,797	59,374
	300,813	272,123
Financial liabilities		
At amortised cost		
Trade and bills payables	100,113	113,207
Other payables and accruals	9,773	14,054
Borrowings – unsecured	1,983	–
Obligations under finance leases	885	1,359
Employee benefit	408	394
	113,162	129,014

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies

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

Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2008 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables as they spread all over the world. The turnover by geographic segments are disclosed in note 7. The marketing team is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt with the help from the finance team. In addition, regular reports are produced for each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk can be reduced. The concentration of credit risk is limited due to the customer base being large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar ("USD")	**91,744**	76,953	**6,945**	12,578
Renminbi ("RMB")	**93,441**	70,113	**66,801**	66,894
New Taiwan Dollar ("NTD")	**–**	203	**–**	157
Euro ("EUR")	**125**	3,656	**–**	10
Japanese Yen ("JPY")	**5**	9	**665**	999

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

***Currency risk** (Continued)*

Sensitivity analysis

The Group is mainly exposed to the currency of USD/RMB/NTD/EUR/JPY.

The following table details the Group's sensitivity to a 10% (2007: 5%) increase and decrease in HKD against the relevant foreign currencies. 10% (2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitively rate from 5% to 10% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 10% (2007: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax profit where HKD strengthen 10% (2007: 5%) against the relevant currency. For a 10% (2007: 5%) weakening of HKD against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD		RMB		NTD		EUR		JPY	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or loss	**(8,480)**	(3,219)	**(2,664)**	(161)	**–**	(2)	**(13)**	(182)	**66**	50

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Interest rate risk

The main source of financing of the Group is internally generated cash.

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings (see note 27 for details of these borrowings), and fixed rate obligations under finances leases in which the interest rate are fixed at the inception of the leases. (see note 28 for details of the finance leases).

The Group's fair value interest rate risk relates primarily to the fixed-rate obligations under finance leases.

The Group's operating cash flows are substantially independent of changes in market interest rates.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the cash, current working capital and the raising of funds from issue of shares of the Company and underlying interests in shares of the Company, subject to approval by the Company's shareholders, if necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2008						
Non-derivative financial liabilities						
Trade and bills payables	100,113	–	–	–	100,113	100,113
Other payables and accruals	9,773	–	–	–	9,773	9,773
Obligations under finance leases	498	243	303	–	1,044	885
Borrowings	1,857	221	–	–	2,078	1,983
Employee benefits	–	–	77	434	511	408
	112,241	464	380	434	113,519	113,162
31 December 2007						
Non-derivative financial liabilities						
Trade and bills payables	113,207	–	–	–	113,207	113,207
Other payables and accruals	14,054	–	–	–	14,054	14,054
Obligations under finance leases	550	499	545	–	1,594	1,359
Employee benefits	–	–	59	438	497	394
	127,811	499	604	438	129,352	129,014

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values of financial instruments

The fair values 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.

7. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products. Details of the business segments are as follows:

a) Electronic product segment engages in the manufacture and trading of electronic and electrical parts and components.

b) Lighter product segment engages in the design, manufacture and sale of cigarette lighters and related accessories.

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

7. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

For the year ended 31 December:

	Electronic products		Lighter products		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**588,294**	658,777	**140,751**	137,132	**729,045**	795,909
Other income	**455**	1,115	**3,733**	6,534	**4,188**	7,649
Total segment revenue	**588,749**	659,892	**144,484**	143,666	**733,233**	803,558
Segment results	**27,241**	89,632	**(12,793)**	(2,178)	**14,448**	87,454
Unallocated corporate income					**634**	1,043
Unallocated expenses					**(1,431)**	(1,794)
Finance costs					**(121)**	(86)
Profit before taxation					**13,530**	86,617
Taxation					**(7,131)**	(16,132)
Profit for the year					**6,399**	70,485

7. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Electronic products		Lighter products		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
As at 31 December:						
Segment assets	**376,620**	457,432	**48,424**	59,717	**425,044**	517,149
Interest in a jointly controlled entity	**–**	–	**–**	(1,435)	**–**	(1,435)
Unallocated assets					**128,364**	59,806
Total assets					**553,408**	575,520
Segment liabilities	**96,668**	114,659	**21,438**	20,128	**118,106**	134,787
Unallocated liabilities					**17,415**	22,388
Total liabilities					**135,521**	157,175
For the year ended 31 December						
Other segment information:						
Capital expenditures	**58,386**	17,958	**1,076**	5,357	**59,462**	23,315
Depreciation and amortisation	**22,673**	16,260	**3,687**	5,086	**26,360**	21,346
Write-down of inventories	**245**	536	**672**	–	**917**	536
Impairment loss on other receivables	**19,585**	–	**–**	–	**19,585**	–
Impairment loss on trade receivables	**2,128**	1,918	**6,219**	1,059	**8,347**	2,977
Gain on disposal of a subsidiary	**–**	–	**(478)**	–	**(478)**	–
Write off of trade receivables	**400**	–	**–**	612	**400**	612
Reversal of impairment loss on trade receivables	**–**	–	**(54)**	(1,250)	**(54)**	(1,250)
Impairment loss on property, plant and equipment	**–**	–	**2,938**	–	**2,938**	–
Revaluation deficit on leasehold buildings						
– charged to income statement	**–**	–	**2,131**	–	**2,131**	–
– charged to statement of changes in equity	**–**	–	**569**	383	**569**	383
Loss on disposal of property, plant and equipment	**–**	–	**102**	28	**102**	28

7. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Asia Pacific		Latin America		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December												
Segment revenue:												
Sales to external customers	178,309	200,147	399,472	439,661	63,118	81,749	46,276	14,025	41,870	60,327	729,045	795,909
Other income	3,439	6,588	749	142	–	–	–	–	–	919	4,188	7,649
Total segment revenue	181,748	206,735	400,221	439,803	63,118	81,749	46,276	14,025	41,870	61,246	733,233	803,558
Other segment information:												
As at 31 December												
Segment assets	303,684	312,697	248,242	261,107	1,482	1,716	–	–	–	–	553,408	575,520
For the year ended 31 December												
Capital expenditures	528	1,375	58,934	21,940	–	–	–	–	–	–	59,462	23,315

8. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Freight charge income	**1,137**	1,765
Gain on disposal of a subsidiary	**478**	–
Interest income	**634**	1,043
Reversal of impairment loss on trade receivables	**54**	1,250
Waiver of long outstanding trade payables	**654**	–
Amortisation of deferred income	**–**	482
Exchange gain, net	**–**	760
Others	**1,865**	3,392
	4,822	8,692

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**45**	–
Obligations under finance leases	**76**	86
	121	86

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2008 HK$'000	2007 HK$'000
Cost of inventories sold	635,633	662,766
Staff costs (note 11)	24,647	22,768
Depreciation of property, plant and equipment		
– owned assets	25,250	20,146
– assets held under finance leases	712	700
Amortisation of other intangible assets	357	461
Amortisation of prepaid lease payments	41	39
Auditor's remuneration	660	680
Write-down of inventories (included in cost of sales)	917	536
Exchange losses, net	257	–
Impairment loss on property, plant and equipment (included in other expenses)	2,938	–
Revaluation deficit on leasehold buildings	2,131	–
Write off of trade receivables (included in other expenses)	400	612
Write off of property, plant and equipment	102	–
Loss on disposal of property, plant and equipment	–	28

11. STAFF COSTS

	2008 HK$'000	2007 HK$'000
Staff costs (including directors' emoluments) comprise:		
Salaries and welfare	23,716	22,223
Retirement benefits scheme contributions	427	425
Provision for other employee benefits and long service payments	504	120
	24,647	22,768

12. TAXATION

The amount of taxation in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current tax – provision for Hong Kong Profits Tax		
– charge for the year	**5,778**	16,758
– (over) under-provision in prior years	**(24)**	695
	5,754	17,453
Deferred tax (Note 30)		
– current year	**1,965**	(1,321)
– attributable to a change in tax rate	**(588)**	–
	1,377	(1,321)
	7,131	16,132

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax of the Group's subsidiary in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

No provision for taxation in other jurisdictions for both years has been made in the consolidated financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

12. TAXATION *(Continued)*

Taxation for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**13,530**	86,617
Tax calculated at the domestic income tax rate of 16.5% (2007: 17.5%)	**2,232**	15,158
Tax effect of expenses that are not deductible in determining taxable profit	**5,135**	430
Tax effect of income that is not taxable in determining taxable profit	**(880)**	(171)
Tax effect of utilisation of tax losses not previously recognised	**(206)**	(401)
Tax effect of tax losses and other deductible temporary differences not recognised	**1,462**	421
Decrease in opening deferred tax liability resulting from an decrease in Hong Kong Profits tax rate	**(588)**	–
(Over) under-provision in prior years	**(24)**	695
Taxation	**7,131**	16,132

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend of HK0.10 cent (2007: HK0.15 cent) per share	**3,797**	5,696
Proposed final dividend of HK0.10 cent (2007: HK0.10 cent) per share	**3,798**	3,798
	7,595	9,494

13. DIVIDENDS *(Continued)*

The directors recommended a final dividend of HK0.10 cent per share (2007: HK0.10 cent per share). This proposed dividend is reflected as an appropriation of accumulated profits for the year ended 31 December 2008 and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders of the Company for the year of approximately HK$6,399,000 (2007: HK$70,485,000) and the following data:

Weighted average number of ordinary shares for the calculation of diluted earnings per share:

	2008 Number of shares ’000	2007 Number of shares ’000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,797,500**	3,797,500
Effect of deemed issue of shares under the Company’s Share Option Scheme for the year	**137,368**	206,229
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**3,934,868**	4,003,729

The weighted average numbers of ordinary shares for the purpose of basic earnings per share and diluted earnings per share for the year ended 31 December 2007 have been adjusted for the share subdivision on 19 December 2007. (Note 31 (b))

The calculation of diluted earnings per share for the year ended 31 December 2008 did not assume the exercise of the Company’s warrants as the exercise price of the warrants was higher than the average market price for shares.

15. DIRECTORS' EMOLUMENTS

The aggregate amounts of the directors' emoluments, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2008

Name of director	Fees	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Lam Yat Keung	–	1,413	12	1,425
Lam Pik Wah	–	1,166	12	1,178
Lam Hung Kit	–	814	12	826
Independent Non-Executive Directors				
Lo Wah Wai	90	–	–	90
Ho Chi Fai	90	–	–	90
Pai Te Tsun	90	–	–	90
	270	3,393	36	3,699

15. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2007

Name of director	Fees	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Lam Yat Keung	–	1,170	12	1,182
Lam Pik Wah	–	1,040	12	1,052
Lam Hung Kit	–	698	12	710
Independent Non-Executive Directors				
Lo Wah Wai	90	–	–	90
Ho Chi Fai	90	–	–	90
Pai Te Tsun	90	–	–	90
	270	2,908	36	3,214

During the two years ended 31 December 2008 and 2007, no directors waived or agreed to waive any emoluments.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 15 above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	2,480	2,480
Retirement benefits scheme contributions	16	12
	2,496	2,492

Their emoluments were within the following band:

	Number of employees 2008	2007
HK$1,000,001 to HK$1,500,000	2	2

During the two years ended 31 December 2008 and 2007, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements and others HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION					
At 1 January 2007	10,500	136,163	21,870	374	168,907
Exchange realignment	759	335	65	27	1,186
Additions	–	20,506	2,064	683	23,253
Disposals	–	(274)	(349)	–	(623)
Deficit on revaluation	(608)	–	–	–	(608)
At 31 December 2007 and 1 January 2008	10,651	156,730	23,650	1,084	192,115
Exchange realignment	556	132	100	57	845
Additions	–	52,705	6,742	–	59,447
Write off	–	–	–	(102)	(102)
Deficit on revaluation	(2,937)	–	–	–	(2,937)
At 31 December 2008	**8,270**	**209,567**	**30,492**	**1,039**	**249,368**
Comprising:					
At cost	–	209,567	30,492	1,039	241,098
At valuation	8,270	–	–	–	8,270
	8,270	209,567	30,492	1,039	249,368
DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	–	64,483	5,111	–	69,594
Depreciation charged for the year	225	17,534	3,087	–	20,846
Eliminated on disposals	–	(208)	(246)	–	(454)
Write back on revaluation	(225)	–	–	–	(225)
At 31 December 2007 and 1 January 2008	–	81,809	7,952	–	89,761
Depreciation charged for the year	237	21,278	4,447	–	25,962
Write back on revaluation	(237)	–	–	–	(237)
Impairment loss recognised	–	2,900	38	–	2,938
At 31 December 2008	**–**	**105,987**	**12,437**	**–**	**118,424**
CARRYING VALUES					
At 31 December 2008	**8,270**	**103,580**	**18,055**	**1,039**	**130,944**
At 31 December 2007	10,651	74,921	15,698	1,084	102,354

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

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

Leasehold buildings	2% to 4%
Plant and machinery	10% to 30%
Leasehold improvement and others	10% to 30%

The carrying amount of the Group's motor vehicles (grouped under leasehold improvements and others) includes an amount of approximately HK$938,000 (2007: HK$1,650,000) in respect of assets acquired under finance leases.

The Group's leasehold buildings in the PRC were revalued at 31 December 2008 by Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, on an open market value basis. Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited is not connected with the Group.

Had the revaluated leasehold building been measured on a historical cost basis, their net carrying values would have been HK$10,298,000 (2007: HK$10,012,000).

The analysis of the net carrying value of properties is as follows:

	2008 HK$'000	2007 HK$'000
Leasehold buildings outside Hong Kong:		
Long-term lease	8,270	10,651

During the year, the director conducted a review of the Group's plant and machinery, leasehold improvements and others and determined that a number of those assets were impaired, due to physical damage. Accordingly, impairment losses of approximately HK$2,900,000 and HK$38,000 have been recognised in respect of plant and machinery, leasehold improvements and others, which are used in the Group's lighter products segments.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008	2007
	HK$'000	HK$'000
Leasehold land outside Hong Kong:		
Medium-term lease	**1,713**	1,667
Analysed for reporting purpose as:		
Current asset	**41**	39
Non-current asset	**1,672**	1,628
	1,713	1,667

Movements in prepaid lease payments during the year are set out below:

	2008	2007
	HK$'000	HK$'000
At 1 January	**1,667**	1,590
Exchange difference	**87**	116
	1,754	1,706
Amortisation for the year	**(41)**	(39)
At 31 December	**1,713**	1,667

19. OTHER INTANGIBLE ASSETS

	Trademark and patents HK$'000
COST	
At 1 January 2007	5,623
Additions	62
At 31 December 2007 and 1 January 2008	5,685
Additions	15
At 31 December 2008	**5,700**
AMORTISATION AND IMPAIRMENT	
At 1 January 2007	4,592
Amortisation	461
At 31 December 2007 and 1 January 2008	5,053
Amortisation	357
At 31 December 2008	**5,410**
CARRYING VALUES	
At 31 December 2008	**290**
At 31 December 2007	632

Amortisation is calculated to write off the cost of trademarks and patents over its estimated useful life, using the straight-line method over periods not exceeding five years.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2008 HK$'000	2007 HK$'000
Cost of investment	–	41,480
Share of post-acquisition loss, net of dividends received	–	(41,480)
Deferred income	–	(1,435)
	–	(1,435)

Deferred income arising from sales of production machinery and moulds to the jointly controlled entity was amortised over 5 to 10 years, which approximated the useful lives of the machinery and moulds.

During the year ended 31 December 2008, the Group disposed of one subsidiary, Tak Fi Brothers Limited, which held the interest in the jointly controlled entity. Accordingly, the Group's entire 50% interest in a jointly-controlled entity in the PRC, Shangdong Luneng Plastics & Metal Mfy. Co. Ltd., has been disposed of with Tak Fi Brothers Limited as set out in note 34.

Particulars of the Group's jointly controlled entity at 31 December 2007 are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Class of equity interest held	Percentage of paid-up capital held by the Group	Principal activities
Shangdong Luneng Plastics & Metal Mfy. Co., Ltd.	Corporation	PRC	Contributed capital	50%	Manufacturing of cigarette lighters and lighter parts

The Group's entitlement to share in the profits of its jointly controlled entity is in proportion to its ownership interest.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The summarised unaudited financial information in respect of the jointly controlled entity which is accounted for using the equity method is as follows:

	2008	2007
	HK$'000	HK$'000
Total assets	**–**	29,274
Total liabilities	**–**	(42,600)
Net liabilities	**–**	(13,326)
The Group's share of net liabilities	**–**	–
Revenue	**15,789**	34,927
Loss for the period/year	**(1,635)**	(5,311)
The Group's share of result of the jointly controlled entity for the year	**–**	–

The Group has discontinued recognition of its share of losses of its jointly controlled entity for the year ended 31 December 2007.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The amounts of unrecognised share of this entity, for the period from 1 January 2008 to 30 June 2008 and the year ended 31 December 2007 and cumulatively, are as follows:

	From 1 January 2008 to 30 June 2008 HK$'000	2007 HK$'000
Unrecognised share of losses:		
– arising during the period/year	(818)	(2,656)
– accumulated	(8,236)	(7,418)

21. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	36,646	54,581
Work-in-progress	6,502	11,496
Finished goods	73,256	93,412
	116,404	159,489

22. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days to its trade customers.

	2008 HK$'000	2007 HK$'000
Trade and bills receivables	**181,943**	214,298
Less: Accumulated impairment	**(10,923)**	(6,690)
	171,020	207,608

Included in trade and bills receivables at 31 December 2007 was a balance of HK$949,000 due from the jointly controlled entity of the Group, which was unsecured, interest-free and repayable on demand (2008: nil).

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The following is an aged analysis of trade and bills receivables net of impairment at the balance sheet date:

	2008 HK$'000	2007 HK$'000
Within 3 months	**152,853**	203,160
4-6 months	**18,130**	3,207
7-12 months	**2**	1,241
Over 12 months	**35**	–
	171,020	207,608

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$57,883,000 (2007: HK$105,408,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Within 3 months	**39,716**	102,512
4-6 months	**18,130**	2,705
7-12 months	**2**	191
Over 12 months	**35**	–
Total	**57,883**	105,408

Movement in the impairment on trade receivables:

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**6,690**	4,963
Increase in impairment on trade receivables	**8,347**	2,977
Amount written off as uncollectible	**(4,060)**	–
Amount recovered during the year	**(54)**	(1,250)
Balance at the end of the year	**10,923**	6,690

Included in the impairment on trade receivables are individually impaired trade receivables with an aggregate balance of HK$10,923,000 (2007: HK$6,690,000) since the management considered the prolonged outstanding balances were uncollectible. The Group does not hold any collateral over these balances.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

Included in trade and bills receivables are the following amounts denominated in currencies other than the functional currency of the Group:

	2008	2007
	'000	'000
USD	4,361	5,666
RMB	79,197	64,373
NTD	–	812

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2008, included in prepayments, deposits and other receivables are the following amounts denominated in currencies other than the functional currency of the Group:

	2008	2007
	'000	'000
USD	112	2,714
RMB	2,344	2,872

Movement in the impairment on other receivables:

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	–	–
Impairment loss recognised during the year	19,585	–
Balance at the end of the year	19,585	–

Included in the impairment on other receivables are individually impaired other receivables with an aggregate balance of HK$19,585,000 (2007: nil) since the management considered the prolonged outstanding balances were uncollectible. The Group does not hold any collateral over these balances.

24. BANK BALANCES AND CASH

	2008 HK$'000	2007 HK$'000
Deposits with maturity at inception of less than one month	40,729	22,252
Cash at bank and in hand	87,068	37,122
	127,797	59,374

Deposits with banks with maturity at inception of less than one month carry interest at market rates of 0.3% to 1.7% (2007: 2% to 4%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the Group:

	2008 '000	2007 '000
USD	7,354	1,383
RMB	1,281	447
EUR	11	318

25. TRADE AND BILLS PAYABLES

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

	2008 HK$'000	2007 HK$'000
Within 3 months	56,278	68,960
4-6 months	28,811	20,233
7-12 months	14,083	23,569
13-24 months	745	404
Over 24 months	196	41
	100,113	113,207

25. TRADE AND BILLS PAYABLES *(Continued)*

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the Group:

	2008	2007
	'000	'000
USD	641	1,117
RMB	51,388	51,153
NTD	–	653
JPY	7,736	14,819

26. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are the following amounts denominated in currencies other than the functional currency of the Group:

	2008	2007
	'000	'000
USD	254	497
RMB	7,822	12,464
EUR	–	1

27. BORROWINGS – UNSECURED

	2008 HK$'000	2007 HK$'000
Bank borrowing (note a)	**433**	–
Other borrowing (note b)	**1,550**	–
	1,983	–
Carrying amount repayable:		
Within one year	**1,769**	–
More than one year, but not exceeding five years	**214**	–
	1,983	–
Less: Amounts due within one year shown under current liabilities	**(1,769)**	–
	214	–

Notes:

a. Bank borrowing is guaranteed by the directors of a subsidiary of the Company, Mr. Sher Tak Chi and Ms Kang Hsiao Fang, and carrys interest at Prime Lending Rate plus 1.5% per annum.

b. Other borrowing is guaranteed by Mr. Sher Tak Chi, a director of a subsidiary of the Company, and carrys a fixed interest rate at 9 % per annum.

28. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average leases term is approximately 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.18% to 7.5%.

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases repayable:				
Within one year	**498**	550	**444**	474
In the second to fifth year inclusive	**546**	1,044	**441**	885
	1,044	1,594	**885**	1,359
Less: Future finance charges	**(159)**	(235)	**N/A**	N/A
Present value of lease obligations	**885**	1,359	**885**	1,359
Less: Amounts due within one year shown under current liabilities			**(444)**	(474)
Amounts due after one year			**441**	885

The Group leases motor vehicles for its business operation.

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

29. EMPLOYEE BENEFITS

	2008 HK$'000	2007 HK$'000
Liabilities for employee benefit comprise:		
Annual leave payments accrual	**2,235**	1,745
Long service payments accrual (note 38)	**408**	394
	2,643	2,139
Categorised as:		
Due within one year or less (included in other payables and accruals)	**2,235**	1,745
Due more than one year, disclosed under non-current liabilities	**408**	394
	2,643	2,139

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Impairment on trade receivables** HK$'000	**Total** HK$'000
At 1 January 2007	12,166	(560)	11,606
Credited to the consolidated income statement for the year	(985)	(336)	(1,321)
At 31 December 2007 and 1 January 2008	11,181	(896)	10,285
Charged to the consolidated income statement for the year	1,646	319	1,965
Effect of change in tax rate	(639)	51	(588)
At 31 December 2008	**12,188**	**(526)**	**11,662**

30. DEFERRED TAX LIABILITIES *(Continued)*

At the balance sheet date, the Group has unused estimated tax losses and other deductible temporary differences of approximately HK$24,709,000 (2007: HK$18,089,000) and HK$992,000 (2007: nil) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses and other deductible temporary differences due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of approximately HK$5,445,000 (2007: nil) that will expire in 2013. Other losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

31. SHARE CAPITAL

	Authorised ordinary shares	
	Number of shares	HK$'000
At 1 January 2007, HK$0.10 each	800,000,000	80,000
Increase in authorised share capital (note a)	400,000,000	40,000
Subdivision of share of HK$0.10 each into ten shares of HK$0.01 each (note b)	10,800,000,000	–
At 31 December 2007, 1 January 2008, 31 December 2008, HK$0.01 each	**12,000,000,000**	**120,000**

	Issued and fully paid ordinary shares	
At 1 January 2007, HK$0.10 each	379,750,000	37,975
Subdivision of shares (note b)	3,417,750,000	–
At 31 December 2007, 1 January 2008, HK$0.01 each	3,797,500,000	37,975
Share issued upon exercise of warrants (note c)	100	–
At 31 December 2008, HK$0.01 each	**3,797,500,100**	**37,975**

31. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 18 December 2007, the authorised share capital of the Company was increased from HK$80,000,000 to HK$120,000,000 by the creation of an additional 400,000,000 shares of HK$0.10 each in the capital of the Company.

(b) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 18 December 2007, every share of HK$0.10 each in the issued and unissued share capital of the Company was subdivided into 10 shares of HK$0.01 each (the "Share Subdivision"). The Share Subdivision becomes effective on 19 December 2007.

(c) A bonus issue of warrants on the basis of one warrant for every five shares held was proposed by the Board of the Company on 18 December 2007. The condition of the issue of the bonus warrants was fulfilled on 19 December 2007 and 759,500,000 warrants were issued on 3 January 2008. The warrant holders were entitled to subscribe in cash for one fully paid share at an initial subscription price of HK$0.48 per share, subject to adjustment, at any time from 3 January 2008 to 2 January 2010 (or if that day is not a business day, the business day immediately proceeding that day) (both days inclusive). During the year ended 31 December 2008, 100 warrants were converted into 100 ordinary shares at a subscription price of HK$0.48 per share and rank pari passu with other shares in issue in all respects. Accordingly 759,499,900 warrants were outstanding at 31 December, 2008. Exercise in full of the outstanding warrants would result in the issue of 759,499,900 additional shares with an aggregate subscription value of HK$364,559,952.

32. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 28 November 2002 (the "Share Option Scheme") for the purpose of providing incentives and rewards to wider classes of person or entity to be the participants (the "Participants") thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Details are set out below:

The Share Option Scheme will expire on 27 November 2012. Pursuant to the terms of the Share Option Scheme, the directors of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support or services to the Group or any Invested Entity;

(f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(g) any ex-employee who has contributed to the development and growth of the Group and any Invested Entity.

The basis of eligibility of any of the above class of Participants to the grant of any options shall be determined by the directors of Company from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity.

32. SHARE OPTION SCHEME *(Continued)*

The subscription price for the shares under the Share Option Scheme shall be a price determined by the directors of the Company, but shall not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares. Options granted are exercisable at any time during a period to be notified by the directors of the Company but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the Share Option Scheme becomes unconditional.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to Participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of any options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Unless the directors of the Company otherwise determined and stated in the offer of the grant of options to a Participant, a Participant is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 359,750,000 (2007: 379,750,000) representing 9.47% (2007: 10%) of the shares of the Company in issue at that date.

32. SHARE OPTION SCHEME *(Continued)*

The following tables disclosed the movements of the Company's share options for years ended 31 December 2008 and 2007:

For the year ended 31 December 2008:

Participants	Date of grant	Previous exercise price per share	Adjusted exercise price per share (Note)	Outstanding at 1 January 2008	Number of share options: Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2008
Employees	5 August 2006	HK$1.246	HK$0.1246	114,000,000	–	–	(20,000,000)	94,000,000
Customers, suppliers and other eligible persons	5 August 2006	HK$1.246	HK$0.1246	265,750,000	–	–	–	265,750,000
				379,750,000	–	–	(20,000,000)	359,750,000

Note: During the year ended 31 December 2007, there was subdivision of share of HK$0.10 each into ten shares of HK$0.01 share. Accordingly, the exercise price per share was adjusted from HK$1.246 to HK$0.1246.

During the year ended 31 December 2008, 20,000,000 share options granted to eligible participants under the scheme were lapsed. No option was granted under the Share Option Scheme during the year ended 31 December 2008.

For the year ended 31 December 2007:

Participants	Date of grant	Previous exercise price per share	Adjusted exercise price per share	Outstanding at 1 January 2007	Number of share options: Effect of Share Subdivision	Granted during the year	Exercised during the year	Outstanding at 31 December 2007
Employees	5 August 2006	HK$1.246	HK$0.1246	11,400,000	102,600,000	–	–	114,000,000
Customers, suppliers and other eligible persons	5 August 2006	HK$1.246	HK$0.1246	26,575,000	239,175,000	–	–	265,750,000
				37,975,000	341,775,000	–	–	379,750,000

No option was cancelled and lapsed during the year ended 31 December 2007.

33. BALANCE SHEET OF THE COMPANY

	2008 HK$'000	2007 HK$'000
Non-current asset		
Investments in subsidiaries	71,561	83,916
Current assets		
Prepayments, deposits and other receivables	568	432
Amounts due from subsidiaries	172,535	188,074
Bank balances and cash	46,583	26,267
	219,686	214,773
Current liability		
Other payables and accruals	378	841
Net current assets	219,308	213,932
	290,869	297,848
Capital and reserves		
Share capital	37,975	37,975
Share premium	169,876	169,876
Contributed surplus	62,315	62,315
Share-based compensation reserve	7,340	7,748
Accumulated profits	9,565	16,136
Proposed final dividends	3,798	3,798
	290,869	297,848

34. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2008, the Group disposed of the entire interests held in Tak Fi Brothers Limited at a cash consideration of HK$15.50 to an independent third party.

The net liabilities of the subsidiary at the date of disposal were as follows:

	2008 HK$'000
Net liabilities disposed of:	
Trade and bills receivables	34
Bank balances and cash	14
Deferred income in a jointly controlled entity	(1,435)
	(1,387)
Exchange reserve	909
Net gain on disposal	478
Total consideration	–
Net cash outflow arising on disposal	
Cash received	–
Bank balances and cash disposed of	(14)
	(14)

During the year ended 31 December 2008, the disposed subsidiary contributed to a loss of approximately HK$7,000 to the Group's profit, generated approximately HK$4,000 to the Group's net operating cash inflows and did not generate any cash flow from investing activities and financing activities. No turnover was generated for the year.

35. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2007, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK$980,000. No major non-cash transaction occurred during the year ended 31 December 2008.

36. LEASE COMMITMENTS

The Group as lessee

	2008	2007
	HK$'000	HK$'000
Lease payments paid under operating leases during the year	**9,999**	9,394

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

	2008	2007
	HK$'000	HK$'000
Within one year	**7,091**	5,314
In the second to fifth year inclusive	**16,599**	6,674
Over five years	**1,584**	3,168
	25,274	15,156

Operating lease payments represent rentals payable by the Group for certain of its godowns, office and production plant. Leases are negotiated for terms ranging from one to eight years. Rentals are fixed over the terms of respective leases.

37. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Contracted but not provided for	790	12,320
– Authorised but not contracted for	–	2,563
	790	14,883

38. RETIREMENT BENEFITS OBLIGATIONS

	2008 HK$'000	2007 HK$'000
Long service payments (note 29)	408	394

Long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

38. RETIREMENT BENEFITS OBLIGATIONS *(Continued)*

(a) Movement for the year:

	2008 HK$'000	2007 HK$'000
At beginning of the year	394	437
Increase (decrease) in provision	14	(43)
At end of the year	408	394

(b) The directors' assumptions used for accounting purposes at 31 December are as follows:

	2008 %	2007 %
Discount rate applied to long service payments obligations	8	8

39. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of the key management during the year are given in notes 15 and 16 respectively. Other related party transactions and balances are as follows:

Related party relationship	Type of transactions	Transaction amount		Amount due from	
		2008	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
Jointly controlled entity	Purchase of finished goods	**15,789**	30,682	**–**	949
	Purchase of raw materials	**–**	372		
	Sales of raw materials	**4,890**	9,359		

40. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2008 are as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Century Talent Limited	Corporation	British Virgin Islands	US$100	100	–	Investment holding
Classic Line International Limited	Corporation	British Virgin Islands	US$16	100	–	Investment holding
Eversun Corporation Limited	Corporation	Hong Kong	HK$2	–	100	Trading of cigarette lighters
Fast Harvest Limited	Corporation	Hong Kong	HK$2	–	100	Provision of management service

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Key Legend Limited	Corporation	British Virgin Islands	US$2	100	–	Investment holding
Kingtech Industrial Limited	Corporation	Hong Kong	HK$1	–	100	Trading of cigarette lighters
Link Triumph Limited	Corporation	British Virgin Islands	US$1	–	100	Trading of cigarette lighters
Longnan County Poly Action Plastic & Metal Products Co., Limited (Note)	Corporation	PRC	US$5,700,000	–	100	Manufacturing of cigarette lighters and lighters parts
Polycity Enterprise Limited	Corporation	Hong Kong	HK$2	–	100	Trading of cigarette lighters
Profit Sharp Enterprise Limited	Corporation	British Virgin Islands	US$1	–	100	Investment holding
Semtech Electronics Limited	Corporation	Hong Kong	HK$1,000,000	–	100	Trademark holding
Semtech International (BVI) Limited	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Semtech RFID Limited	Corporation	Hong Kong	HK$100	–	100	Not commenced business yet
Sharp Technology Limited	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Super Victory Enterprises Limited	Corporation	Hong Kong	HK$2	–	100	Manufacturing and trading of electronic and electrical parts and components
Supreme Gold Development Limited	Corporation	British Virgin Islands	US$100	52	–	Investment holding

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
SV Semiconductors Limited	Corporation	Hong Kong	HK$2	–	100	Inactive
Top Victory Industries Limited	Corporation	British Virgin Islands	US$1	100	–	Inactive
東莞泰豐射頻識別有限公司 (Note)	Corporation	PRC	US$1,500,000	–	100	Not commenced business yet

Note: The Company is a wholly owned foreign enterprise in the PRC.

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

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

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Summary of Financial Information

A summary of the published results, assets, liabilities and minority interests of the Group prepared on the bases set out in the note below is as follows. This summary does not form part of the audited consolidated financial statements.

RESULTS

					Period from 1 July 2003 to 31 December
	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**729,045**	795,909	636,237	553,983	559,882
Profit before taxation	**13,530**	86,617	76,803	53,307	58,810
Profit attributable to equity holders of the Company	**6,399**	70,485	62,197	42,730	48,561

ASSETS AND LIABILITIES

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**553,408**	575,520	509,347	395,747	330,703
Total liabilities	**(135,521)**	(157,175)	(139,174)	(128,566)	(119,906)
Total net assets	**417,887**	418,345	370,173	267,181	210,797
Capital	**37,975**	37,975	37,975	32,175	29,250
Reserves	**379,912**	380,370	332,198	234,986	181,527
Minority interests	**–**	–	–	20	20
Total equity	**417,887**	418,345	370,173	267,181	210,797

Note: The results of the Group for the years/period ended 31 December 2008, 31 December 2007, 31 December 2006, 31 December 2005 and 31 December 2004 have been extracted from the audited consolidated financial statements for the years/period ended 31 December 2008, 31 December 2007, 31 December 2006, 31 December 2005 and 31 December 2004.