Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 833

Annual Report **2008**

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. LAM Yin Kee *(Chairman)*
Ms. YEUNG Po Wah
Mr. SO Kin Hung

Non-executive Director
Mr. FAN, William Chung Yue

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

STOCK CODE

833

AUDITOR

PricewaterhouseCoopers

AUDIT COMMITTEE

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

In Cayman Islands
Butterfield Fulcrum Group (Cayman) Limited
P. O. Box 705
Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

WEBSITES

http://www.irasia.com/listco/hk/alltronics/index.htm
http://www.alltronics.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2008.

BUSINESS REVIEW

The Group recorded a turnover of HK$497 million for the year ended 31 December 2008, representing a decrease of 13.5% from HK$575 million for the year 2007. On the other hand, there was a loss attributable to equity shareholders of HK$10 million for the year, as opposed to a profit attributable to equity shareholders of HK$49 million for the previous year.

2008 was an extraordinary and difficult year for every sector and for all players in the global electronic industry. The overall economic environment was deteriorating during 2008 as a result of the subprime mortgage issue in the United States and the worldwide financial tsunami. The global financial crisis has far reaching effects to almost all markets and industries in the world. Added to this global crisis were other challenges such as the increase in general price levels in China; the increase in labour costs due to the New Labour Contract Law in China which became effective since 1 January 2008; and the continuous appreciation in the value of Renminbi against the Hong Kong dollar and other major currencies of our customers and suppliers. As a result of the above factors, most of them are out of the Group's control, the demand for the Group's products had dropped and the profit margins for the Group's products had reduced.

The products of the Group can be broadly classified into three categories, namely electronic products; components for electronic product and moulds and plastic components. Although the Group has acquired a 51% owned biodiesel business in November 2008, the turnover and contributions from this business during the year are insignificant.

Electronic products

Sales of electronic products for the year were HK$369 million, compared to HK$464 million for the previous year. The significant decrease in sales by 20.4% was due to the drop in demand from United States customers. In particular, the sales of the Group's major products, irrigation controllers, had dropped by more than 40% due to the fall of the property market in the United States. Our sales team will continue to explore new products and new markets in 2009, especially the China market, so as to recover the loss in revenue due to the shrinkage in the United States market.

Components for electronic products

Regarding the electronic product components operation, the demand for these products remained to be strong and total turnover have increased from HK$72 million to HK$94 million during the year, which represented an increase of 31.2%. The Group has set up a new factory in Yangxi, China, in August 2008 in order to capture the increased demand for electronic product components. Although the market competition for component products is still keen and the margin is comparatively lower than electronic products, the Group has confidence that the sales of these products will achieve moderate growth in the year 2009.

CHAIRMAN'S STATEMENT

Plastic moulds and plastic components

The Group's plastic and moulds operation is carried out through its 51% owned subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"). Total turnover for plastic and moulds operations for the year was approximately HK$34 million, represented a drop of 13.6% from HK$39 million in 2007. Total turnover for plastic and moulds operations only accounted for 6.8% of the total turnover of the Group. The competition for plastic products and moulds remains to be keen and their profit margins are reducing. It is the Group's intention to reduce the scale of the plastic and moulds operations so that more resources can be focused on other higher margin products.

Biodiesel business

On 27 November 2008, the Group has completed its acquisition of 51% equity interest in Dynamic Progress International Limited ("Dynamic"). Dynamic is principally engages in the manufacture of biodiesel in Hong Kong and is the first and currently the only licensed manufacturer of biodiesel in Hong Kong. However, as the acquisition was completed on 27 November 2008, Dynamic's turnover and contributions to the Group for the year were not significant.

Gross profit margin

The gross profit margin for the year was 11.6%, compared to 23.2% for the year 2007. The sharp decrease in gross profit margin was mainly due to the increasing labour and overhead costs; increasing raw material prices as a result of the increases in commodity prices; and the increase in sales proportion of lower margin component products. During the second half of the year, the Group has adjusted its product prices to compensate part of the increased material costs and overhead.

PROSPECTS

The year 2009 will definitely continue to be challenging. However, under the current economic situation, it is too early to say what the Group's performance would be in 2009 as the economic environment is changing rapidly. There are still a number of uncertainties affecting the performance in 2009, including the movements in oil and commodity prices and unit prices for raw materials such as plastic resins, copper and other metal parts; the pave of recovery of the global economy and the United States property market from the financial tsunami, the stability of Renminbi and United States dollars against Hong Kong dollars; and the growing pressure of inflation and increasing labour costs in China. All these factors are certain to put pressure on the profit margins of the Group. However, the Group has confidence to overcome all these challenges. The Group will continue its effort to tighten controls over production costs and overheads, and will improve production efficiency so as to maintain gross profit margins. The Group will strive to improve its product and service quality in order to maintain its competitive edge.

In terms of market, the Group will continue to devote significant efforts to explore new markets and new customers in China, Europe and other Asian countries so that the turnover by geographical locations can be spread more evenly. We expect China's economy could recover from the financial turmoil at a pace faster than other countries.

CHAIRMAN'S STATEMENT

During the year, the Group has set up a new factory in Yangxi, China, for the manufacturing of transformers and component products. The new factory enables the Group to capture the benefits of lower labour costs and overheads. The new factory has commenced production since August 2008. Based on the current forecast provided by our customers, we expect that the demand for transformers and component products will remain to be strong in 2009.

Regarding the biodiesel business acquired at the end of 2008, the significant drop in crude oil prices during the last few months have affected the selling price and profit margin on biodiesel. However, in view of the strong global demand and advocate for alternative and green energies, we have confidence that the biodiesel business may becoming a major source of income to the Group.

DIVIDEND

The Board does not recommend the payment of any dividend for the year so that more liquid funds can be retained in the Group to finance its operations and to prepare for future growth.

However, the Board intends to maintain an annual dividend payout policy in the range of 40% to 60% of annual attributable earnings in future, subject to the Group's overall financial position, funding requirements and business plans.

APPRECIATION

Finally, on behalf of the Board, I would like to thank all of those who have helped the Group to strive through all difficulties during the year. I also wish to express my sincere gratitude to all our shareholders, customers, business partners and staff for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 24 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The turnover of the Group for the year ended 31 December 2008 had decreased by 13.5% to HK$497 million, as compared to HK$575 million for the year 2007. The turnover analysis by category of products for the two years ended 31 December 2008 and 2007 respectively are as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of electronic products	**369,403**	464,359
Sales of components for electronic products	**93,970**	71,607
Sales of plastic moulds and plastic components	**33,784**	39,114
Sales of biodiesel	**207**	–
	497,364	575,080

During the year, the Group has acquired 51% equity interest in Dynamic. The principal business activity of Dynamic is the manufacturing of biodiesel in Hong Kong. As the acquisition of Dynamic was completed on 27 November 2008, the contributions from Dynamic to the Group's turnover and results for the period from 27 November 2008 to 31 December 2008 were not significant.

Sales of electronic products dropped by 20.4% from HK$464 million to HK$369 million during the year whereas sales of components for electronic products increased by 31.2% from HK$72 million to HK$94 million. During the year, sales of plastic moulds and plastic components dropped by 13.6% from HK$39 million to HK$34 million.

The decrease in sales of electronic products was mainly due to the reduction in sales to the United States market as a result of the global economic and credit crisis, especially the adverse effect on the property market in the United States. During the year, the sales of the Group's major product, irrigation controllers, had dropped by HK$119 million to HK$143 million only, as compared to HK$262 million last year. The sales of other electronic products to the United States market, such as carbon monoxide detectors, had also decreased. As a result, the sales of electronic products have dropped by HK$95 million and the total sales to the United States market have dropped by HK$132 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the adverse market conditions during the year, the demand for the Group's components for electronic products remained strong and experienced a growth of HK$22 million or 31.2% over last year. To cope with the increasing demand from customers for component products, the Group has set up a new factory in Yangxi, the People's Republic of China ("PRC"), for the manufacturing of transformers and chargers during the year. The labour costs and overhead for this new factory in Yangxi are comparatively lower than those of the Group's other factories at Shenzhen, PRC. This enables the Group to remain competitive in the market.

The drop in sales of plastic moulds and plastic components was mainly due to the Group's intention to reduce the scale of the plastic and moulds operations so that more resources can be focused on other higher margin products.

Gross profit

The gross profit margin had dropped significantly during the year from 23.2% for the year 2007 to 11.6% for the year. The fall in gross profit margin was due to a number of factors, including the increase in labour costs due to the New Labour Contract Law in the PRC which became effective since 1 January 2008; the increase in minimum wages level for workers at Shenzhen, PRC; the continuous appreciation in the value of Renminbi; and the increase in oil and commodities prices which in turn led to increases in raw material prices. The increase in proportion of sale of component products during the year has also lowered the overall gross profit margin as the profit margins for these products are lower than those of electronic products. During the second half of the year, the Group had adjusted its product prices to compensate part of the increased material and labour costs and overhead.

Operating expenses

During the year ended 31 December 2008, distribution costs were at approximately 1.0% of turnover. This is the same as that for the previous year. Total administrative expenses dropped by HK$5 million to HK$56 million during the year. The fall was mainly due to the Group's continued effort to tighten its control over cost and overhead. On the other hand, the net finance costs for the year had increased slightly by HK$0.5 million due to increased borrowings and decrease in interest income.

Net loss

As a result of the drop in sales and gross profit margin, the Group has incurred a loss of HK$11 million for the year, compared to a net profit of HK$51 million for the year 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCTION FACILITIES

The Group currently has four production plants in the PRC for the manufacturing of electronic products and components, plastics moulds and plastic components, three of which are located at Shenzhen, and one at Yangxi. During the year 2008, the Group spent approximately HK$4 million to acquire new plant and machinery and approximately HK$9 million on leasehold improvements to enhance its production capacity. These additions were mainly for the set up of the new factory at Yangxi. The Group believes that the current production facilities are sufficient for its production requirements in the near future.

During the year, the Group acquired 51% equity interest in Dynamic, which has established production facilities at Tuen Mun, Hong Kong for the production of biodiesel. The current production capacity of the Tuen Mun plant is approximately 55,000 litres of biodiesel per day.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2008, total cash and cash equivalents, net of current bank overdrafts, amounted to HK$48 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2008, total borrowings of the Group amounted to HK$88 million, comprising bank overdrafts of HK$17 million, bank loans of HK$52 million, bills payable and trust receipt loans of HK$17 million and obligations under finance leases of HK$2 million, all of which are denominated in Hong Kong dollars, except for a US$2.6 million term loan. The average effective interest rates for each of these borrowings at 31 December 2008 ranged from 3.9% to 5.7%.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 66 days, 67 days and 71 days respectively for the year 2008. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

During the year, the Company repurchased 4,170,000 of its own shares on the Stock Exchange, at a total consideration of HK$8 million. These shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. On 27 November 2008, a total of 5,500,000 shares were issued as partial consideration for the acquisition of 51% equity interest in Dynamic. At 31 December 2008, the Company had in issue a total of 314,320,000 ordinary shares of HK$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2008 was HK$48 million, which had decreased by HK$47 million compared to the balance at 31 December 2007.

The net cash used in operating activities for the year was HK$19 million. In addition, the net cash used in investing activities amounted to HK$38 million, which was mainly due to HK$18 million net cash outflow in respect of the acquisition of a subsidiary and HK$18 million spent on the addition of property, plant and equipment.

On the other hand, there was a net cash inflow of HK$9 million from financing activities in 2008. During the year, new borrowings of HK$46 million were obtained and HK$16 million was used to repay bank borrowings and finance leases, HK$13 million was paid to shareholders as dividend and HK$8 million was used to repurchase 4,170,000 of the Company shares.

PLEDGE OF ASSETS

At 31 December 2008, the Group had total bank borrowings of HK$86 million, out of which HK$24 million were secured by short-term bank deposits of HK$2.4 million, available-for-sale financial assets of HK$3.6 million and trade receivables of HK$2 million.

GEARING RATIO

At 31 December 2008, the Group had a net debt balance of HK$6 million, being total borrowings of HK$88 million less trade related debts of HK$17 million and cash and cash equivalents of HK$65 million. The net debt position as at 31 December 2008 was mainly due to the new bank loans of HK$46 million obtained, net cash outflow in respect of the acquisition of a subsidiary and cash used in operations during the year. The gearing ratio of the Group then calculated by dividing the net debt balance by the shareholders' equity of HK$173 million as at 31 December 2008 was 3.8%. At 31 December 2007, the Group had a net cash position and did not have any gearing.

CONTINGENT LIABILITIES

At both 31 December 2008 and 31 December 2007, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

At 31 December 2008, the Group had 3,329 employees, of which 84 were employed in Hong Kong and 3,245 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total staff costs, excluding Directors' emoluments, incurred by the Group for 2008 amounted to HK$108 million.

The Company has also adopted a share option scheme on 22 June 2005. During the year, no share options were granted or exercised. A total of 510,000 share options had lapsed during the year. Details of the principal terms and conditions of the scheme are set out in the Report of the Directors on page 27.

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

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and Hong Kong dollars and most of the purchases of raw materials are denominated in United States dollars, Hong Kong dollars and Renminbi. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars or Hong Kong dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Although the foreign currency risk is not considered to be significant, management has taken action to minimise the risk. In particular, a substantial portion of the Group's borrowings were denominated in Hong Kong dollars. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Group expects that the challenges and adverse global economic environment in 2008 will continue in 2009. In order to maintain a competitive position in the industry, the Group will continue to pursue a more cost effective operational structure and will continue to tighten its controls over production costs and overheads so as to maximize the gross profit margins. The Group will focus more resources to explore new products, new customers and new markets.

Under the current economic situation, it is still uncertain whether the United States economy will recover in 2009 or whether it will perform even worse than 2008. However, the Group believes that the PRC will be one of the first countries to recover from the global financial tsunami. The Group will devote significant effort to explore the PRC market in 2009.

The acquisition of Dynamic in 2008 also enables the Group to diversify its business to a new business with high growth potential. Dynamic is the first and currently the only licensed manufacturer of biodiesel in Hong Kong. Biodiesel is a green alternative energy substitute for petroleum-based diesel. The Group has confidence that the demand for biodiesel will increase in a fast pace in Hong Kong in the future.

Although there are challenges ahead in terms of competition and rising production costs, management is confident that it will meet these challenges because it has a well balanced worldwide customer base; consistently high quality products; and timely delivery, strong engineering and development support to its customers allied with an experienced and dedicated management team and its highly skilled and efficient workforce.

DIVIDENDS

In order to retain more cash to finance the operations of the Group and to prepare for expansion in future, the Board does not recommend the payment of any dividend for the year ended 31 December 2008.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 62, is an executive Director and the Chairman of the Company. Being the founder of the Group, Mr. Lam has over 40 years of marketing experience in the electronic industry and he is responsible for the Group's overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years.

Ms. Yeung Po Wah (楊寶華), aged 59, is an executive Director of the Company and the wife of Mr. Lam Yin Kee. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department.

Mr. So Kin Hung (蘇健鴻), aged 52, was appointed as an executive Director of the Company on 1 August 2008. Mr. So graduated from the University of East London (previously known as "North East London Polytechnic") in the United Kingdom in 1982, with a degree of Bachelor of Science (Electrical and Electronic Engineering). Mr. So joined the Group since 1997 and is also the general manager of two of the Group's subsidiaries, namely Alltronics Tech. Mftg. Limited and Shenzhen Allcomm Electronic Co. Ltd. He has over 25 years of experience in the electronic industry and is responsible for the marketing and engineering operations of the Group. Prior to joining the Group in 1997, Mr. So worked for a Hong Kong listed company as the assistant general manager.

Non-executive Director

Mr. Fan, William Chung Yue (范仲瑜), aged 68, is a non-executive Director appointed by the Group in June 2005. Mr. Fan is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors. He is also a director of Chinney Investments, Limited and an independent non-executive director of Artini China Co. Ltd. since 1987 and 2008 respectively, both of these companies are listed on the main board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Barry John Buttifant, aged 64, is an independent non-executive Director appointed by the Group in June 2005. In February 2009, Mr. Buttifant joined KLC Kennic Lui & Company, a professional accounting firm, as a Principal of the firm and managing director of KLC Transactions Limited. Prior to joining KLC, Mr. Buttifant was the executive director – Finance of the Mission Hills Group ("MHG") in February 2008 but became a consultant to MHG in December 2008. Mr. Buttifant continues as a non-executive director of Hsin Chong Construction Group Ltd. ("HCCG") and Synergis Holdings Limited ("Synergis"). Since December 2004, he was the managing director of Hsin Chong International Holdings Limited, a controlling shareholder of HCCG (which was acquired by MHG in November 2007) and Synergis (which was acquired by HCCG in September 2008). Mr. Buttifant was also an alternate director to both public companies. Mr. Buttifant was an operating partner of Baring Private Equity Asia Limited. He was also the managing director of Wo Kee Hong (Holdings) Limited ("Wo Kee Hong") from 2001 to 2002 and was the Advisor to the board of directors of Wo Kee Hong from November 2002 to April 2004. Prior to joining Wo Kee Hong, he was the managing director of IDT International Limited for over eight years and had worked for Polly Peck Group and Sime Darby Hong Kong Limited for more than 11 years in the capacity of finance director and managing director. He has over 30 years of experience in corporate and financial management. Currently Mr. Buttifant is an independent non-executive director of Giordano International Limited and Daiwa Associates Holdings Limited, both of which are a publicly listed company in Hong Kong. Mr. Buttifant also serves as a non-executive director of Global-Tech Advanced Innovations Inc. (formerly known as Global-Tech Appliances, Inc.), a NASDAQ company and China Nepstar Chain Drugstore Limited, a NYSE listed public company. Mr. Buttifant is a fellow member of the Association of Chartered Certified Accountants; the Hong Kong Institute of Certified Public Accountants; the Chartered Management Institute; the Hong Kong Management Association and the Hong Kong Institute of Directors.

Mr. Leung Kam Wah (梁錦華), aged 62, is an independent non-executive Director appointed by the Group in June 2005. Mr. Leung has over 30 years of experience in the legal sector. He had worked as a judicial clerk in the Judiciary Department and a legal executive in Legal Aid Department of Hong Kong. Mr. Leung is now practicing as a law costs draftsman and operating a legal costing firm in Hong Kong.

Ms. Yeung Chi Ying (楊芷櫻), aged 44, is an independent non-executive Director appointed by the Group in June 2005. Ms. Yeung is a fellow member of the Association of the Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She is a practicing certified public accountant in Hong Kong and has over 18 years of experience in auditing and accounting.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (楊建燊), aged 58, is a co-founder of Southchina and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 28 years of management experience in manufacturing field.

Mr. Lam On Bong (林安邦), aged 57, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 28 years of management experience in manufacturing field.

Mr. Leung Hon Kwong, Jackson (梁漢光), aged 56, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 28 years of management experience in manufacturing field.

Mr. Leung Fuk Cheung (梁福祥), aged 45, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company. During the year ended 31 December 2008, the Company has applied the principles and complied with all applicable code provisions as set out in the Code of Corporate Governance Practices (the "Code") contained 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"), except as mentioned below that the Company does not have a separate Chairman and Chief Executive as required under Code Provision A.2.1 of the Code. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximize the interests of shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

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

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant senior management of the Company in respect of their dealings in the securities of the Company.

THE BOARD OF DIRECTORS AND BOARD MEETINGS

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

During the year, Mr. So Kin Hung was appointed as an executive Director of the Company effective from 1 August 2008. Mr. So Kin Hung currently is also the general manager of two of the Company's major operating subsidiaries and he is primary responsible for the engineering and marketing operations of the Group. There is no service contract between the Company and Mr. So Kin Hung in relation to his role as an executive Director of the Company. Other than this, there was no other change in the composition of the Board during the year ended 31 December 2008. On 1 April 2009, Mr. Toshio Daikai, aged 66, has resigned from the office as an executive Director of the Company as he has reached the retirement age. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

CORPORATE GOVERNANCE REPORT

Executive Directors	:	Mr. Lam Yin Kee *(Chairman and Chief Executive)* Ms. Yeung Po Wah Mr. So Kin Hung
Non-executive Director	:	Mr. Fan, William Chung Yue
Independent non-executive Directors	:	Mr. Barry John Buttifant Mr. Leung Kam Wah Ms. Yeung Chi Ying

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

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 12 to 13. All Directors have sufficient experience to hold their positions so as to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group.

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

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

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2008, four full board meetings were held and the attendance of the Board of Directors is set out as follows:

Name of Director	Number of board meetings attended	Attendance rate
Mr. Lam Yin Kee	4/4	100%
Ms. Yeung Po Wah	3/4	75%
Mr. Toshio Daikai	4/4	100%
Mr. So Kin Hung *	2/2	100%
Mr. Fan, William Chung Yue	3/4	75%
Mr. Barry John Buttifant	4/4	100%
Mr. Leung Kam Wah	3/4	75%
Ms. Yeung Chi Ying	4/4	100%

* Only two board meetings were held after the appointment of Mr. So Kin Hung on 1 August 2008.

Every Board member has a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Apart from the above regular meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2008. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

The Company has arranged for appropriate liability insurance to indemnify its directors and officers for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually.

CHAIRMAN AND CHIEF EXECUTIVE

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Mr. Lam Yin Kee, Mr. Toshio Daikai and Mr. Fan, William Chung Yue had been re-appointed at the last annual general meeting held on 23 May 2008. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Mr. So Kin Hung, Mr. Leung Kam Wah and Mr. Barry John Buttifant shall retire at the forthcoming annual general meeting. Mr. So Kin Hung and Mr. Leung Kam Wah, being eligible, offer themselves for re-election. Mr. Barry John Buttifant indicated that he will not offer himself for re-election at the forthcoming annual general meeting.

NOMINATION OF DIRECTORS

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

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

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

REMUNERATION COMMITTEE

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

The duties of the Remuneration Committee include:

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

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

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

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

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

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

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

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

The Remuneration Committee had one meeting in 2008 which was attended by all members of the Remuneration Committee to discuss and review the bonus payment policy and the pay trend.

The Company has adopted a share option scheme on 22 June 2005, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 27 to 28. The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the Directors' emoluments are set out in note 10 to the financial statements.

AUDIT COMMITTEE

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

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

Name of Member	Number of meetings attended	Attendance rate
Mr. Barry John Buttifant	2/2	100%
Mr. Leung Kam Wah	2/2	100%
Ms. Yeung Chi Ying	2/2	100%

The primary duties of the Audit Committee are as follows:

Relationship with the Company's independent auditor

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

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

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

Review of financial information of the Company

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

(e) In regard to (d) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The recent amendments to Listing Rules which became effective from 1 January 2009 have removed the requirement for each listed issuer to have a qualified accountant. The amendments require the directors of each listed issuer to conduct an annual review of the adequacy of resources, qualifications and experience of staff for the issuer's accounting and financial reporting function, and training programmes and budget. The amendments also require the audit committee of each listed issuer to ensure the aforesaid duty is discharged by directors. Accordingly, the terms of reference of the Audit Committee of the Company have been amended to conform to this new requirement.

The Group's interim results and annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

During the year ended 31 December 2008, the Audit Committee has met with the independent auditor with no executive Directors present.

INDEPENDENT AUDITOR

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

The fees paid and payable by the Group to PwC in respect of audit and non-audit services for the year ended 31 December 2008 are HK$1,496,000 and HK$119,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2008, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders are set out on in the Independent Auditor's Report on pages 35 and 36.

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

INTERNAL CONTROLS

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

The Group conducts a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convenes management meeting periodically to discuss financial, operational and risk management control. The Audit Committee also reviews the internal control system and evaluates its adequacy, effectiveness and compliance on a regular basis. During 2008, the Board has reviewed the effectiveness of the Group's internal control system and considered that the system was effective.

INVESTOR RELATIONS

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

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the Stock Exchange's website and the Company's website. The Chairman and Directors will answer questions on the Group business at the meeting.

LOOKING FORWARD

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

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 37.

During the year, the Company has not declared or paid any interim dividend. The Directors do not recommend the payment of a final dividend for the year.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$769,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company at 31 December 2008, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$62,492,000 (2007: HK$71,139,000).

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 104.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price paid** *HK$'000*
August 2008	4,170,000	2.45	1.70	8,329

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$8,287,000 was charged to share premium.

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2008 and the Company has not redeemed any of its shares during the year.

SHARE OPTIONS

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

(i) the nominal value of a share;

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

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

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

A summary of the movements of the outstanding share options during the year ended 31 December 2008 are as follows:

	Number of share options					
	Held at 1 January 2008 *(Note 1)*	**Granted during the year** *(Note 2)*	**Exercised during the year** *(Note 2)*	**Cancelled or lapsed during the year** *(Note 3)*	**Held at 31 December 2008**	**Exercise price per share** *(HK$)*
Executive Directors	–	–	–	–	–	–
Other employees	510,000	–	–	(510,000)	–	1.11
Other employees	600,000	–	–	–	600,000	2.94
Total	1,110,000	–	–	(510,000)	600,000	

Notes:

(1) Out of the total outstanding share options held at 1 January 2008, 510,000 share options were granted on 27 September 2006 with an exercisable period of two years from 27 September 2006 to 26 September 2008, and 600,000 share options were granted on 6 July 2007 with an exercisable period of two years from 6 July 2007 to 5 July 2009. There is no vesting period for these share options.

(2) During the year ended 31 December 2008, no share options were granted or exercised.

(3) During the year ended 31 December 2008, a total of 510,000 share options were expired and lapsed.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Lam Yin Kee *(Chairman)*
Ms. Yeung Po Wah
Mr. So Kin Hung (appointed on 1 August 2008)
Mr. Toshio Daikai (resigned on 1 April 2009)

Non-executive Director

Mr. Fan, William Chung Yue

Independent non-executive Directors

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

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Mr. So Kin Hung, Mr. Barry John Buttifant and Mr. Leung Kam Wah shall retire at the forthcoming annual general meeting. Mr. So Kin Hung and Mr. Leung Kam Wah, being eligible, offer themselves for re-election. Mr. Barry John Buttifant indicated that he will not offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

(ii) the current monthly salary for each of Mr. Lam Yin Kee and Ms. Yeung Po Wah are HK$176,299 and HK$57,380 respectively, subject to annual increment of not more than 10% and discretionary bonus of not more than 10% of the Group's profit in aggregate;

(iii) the Group provides directors' accommodation to Mr. Lam Yin Kee at a current monthly rental of HK$100,000.

REPORT OF THE DIRECTORS

There is no service contract between the Company and Mr. So Kin Hung in relation to his role as an executive Director of the Company. The current monthly salary for Mr. So Kin Hung is HK$63,000.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 12 to 14.

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

At 31 December 2008, the interests and short positions of each Director and Chief Executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company at 31 December 2008

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the Issued Share Capital of the Company
Mr. Lam Yin Kee	Long positions	6,949,000	–	*210,000,000	216,949,000	69.0
Ms. Yeung Po Wah	Long positions	–	*210,000,000	–	210,000,000	66.8
Mr. Toshio Daikai	Long positions	1,101,000	–	–	1,101,000	0.4

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

(b) Share options of the Company at 31 December 2008

None of the Directors and Chief Executives has held any share options as at 31 December 2008.

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

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the Issued Share Capital of the associated corporation
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.0
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.0

(d) As part of the deferred consideration for the acquisition of a 51% owned subsidiary during the year, the Company will issue a maximum of 5,500,000 (subject to adjustment) ordinary shares of HK$0.01 each of the Company, at an issue price of HK$2.8 per share, to Mr. Lam Yin Kee. Details of the acquisition and the number of shares to be issued to Mr. Lam Yin Kee are set out in the circular dated 3 July 2008 issued by the Company.

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

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that at 31 December 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

		Number of shares			
Name		**Personal interests**	**Nature of interest**	**Total**	**% of the Issued Share Capital of the Company**
Profit International Holdings Limited	Long positions	210,000,000	Beneficially owned	210,000,000	66.8

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 31 December 2008, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
– the largest supplier	3.4%
– five largest suppliers combined	13.8%
Sales	
– the largest customer	28.8%
– five largest customers combined	52.2%

During the year, Mr. Lam Yin Kee held a 24.7% equity interest in one of the five largest customers.

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 38 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

Connected transaction

On 27 November 2008, the Group acquired 51% equity interest in Dynamic from Mr. Lam Yin Kee. Details of the acquisition are set out in the circular dated 3 July 2008 issued by the Company and note 35 to the financial statements.

Continuing connected transaction

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$100,000 for a period of two years from 1 April 2007 to 31 March 2009. Ms. Yeung Po Wah holds 60% of shareholding and is a director of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Therefore, the lease for renting the quarter constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules. The Company had made an announcement in respect of this continuing connected transaction on 4 April 2007. The aforesaid rental agreement has been renewed on 28 March 2009 for a period of two years from 1 April 2009 to 31 March 2011, at the same monthly rental of HK$100,000. The Company had made an announcement in respect of this continuing connected transaction due to the renewal of the tenancy agreement on 30 March 2009.

REPORT OF THE DIRECTORS

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

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the independent auditor of the Company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has reported the factual findings on the selected samples based on the agreed procedures to the Board of Directors.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

The financial statements for the year ended 31 December 2008 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Yin Kee
Chairman

Hong Kong, 24 April 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
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TO THE SHAREHOLDERS OF ALLTRONICS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 103, which comprise the consolidated and company balance sheets 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 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	**497,364**	575,080
Cost of sales	6	**(439,594)**	(441,582)
Gross profit		**57,770**	133,498
Distribution costs	6	**(4,783)**	(5,456)
Administrative expenses	6	**(55,919)**	(61,052)
Other losses – net	7	**(2,458)**	(1,533)
Operating (loss)/profit		**(5,390)**	65,457
Finance costs – net	8	**(4,071)**	(3,565)
(Loss)/Profit before income tax		**(9,461)**	61,892
Income tax expense	12	**(1,096)**	(11,163)
(Loss)/Profit for the year		**(10,557)**	50,729
Attributable to:			
Equity holders of the Company		**(9,602)**	48,917
Minority interest		**(955)**	1,812
		(10,557)	50,729
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	14	**(3.08)**	15.97
– diluted	14	**(3.08)**	15.92
Dividends	15	**–**	28,154

The notes on pages 43 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**64,942**	57,528
Leasehold land and land use rights	17	**2,072**	2,122
Intangible assets	18	**20,508**	11,672
Available-for-sale financial assets	21	**3,613**	3,482
Prepayments for non-current assets		**2,894**	1,683
Deferred income tax assets	33	**2,660**	54
Total non-current assets		**96,689**	76,541
Current assets			
Inventories	22	**80,430**	83,447
Trade receivables	23	**89,495**	64,516
Prepayments, deposits and other receivables		**6,586**	3,774
Amount due from a related company	24	**8,218**	509
Amount due from the ultimate holding company	25	**29**	29
Amount due from minority shareholders of a subsidiary	25	**557**	1,522
Pledged bank deposits	37	**2,410**	2,376
Cash and cash equivalents	27	**64,796**	104,634
Total current assets		**252,521**	260,807
Total assets		**349,210**	337,348
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	**3,143**	3,130
Reserves			
Proposed final dividend	15	**–**	12,520
Others	31(a)	**171,221**	187,668
		174,364	203,318
Minority interests		**(885)**	6,956
Total equity		**173,479**	210,274

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	**33,324**	7,205
Deferred income tax liabilities	33	**1,444**	1,568
Total non-current liabilities		**34,768**	8,773
Current liabilities			
Trade payables	28	**55,912**	51,253
Accruals and other payables		**26,363**	24,261
Current income tax liabilities		**2,136**	1,983
Borrowings	32	**55,202**	40,804
Derivative financial instruments	26	**1,350**	–
Total current liabilities		**140,963**	118,301
Total liabilities		**175,731**	127,074
Total equity and liabilities		**349,210**	337,348
Net current assets		**111,558**	142,506
Total assets less current liabilities		**208,247**	219,047

Approved by the Board of Directors on 24 April 2009

Director
Lam Yin Kee

Director
Yeung Po Wah

The notes on pages 43 to 103 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**65,698**	73,590
Current assets			
Prepayments, deposits and other receivables		**69**	39
Cash and cash equivalents	27	**798**	1,554
Total current assets		**867**	1,593
Total assets		**66,565**	75,183
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	**3,143**	3,130
Reserves			
Proposed final dividend	15	**–**	12,520
Others	31(b)	**62,887**	59,033
Total equity		**66,030**	74,683
LIABILITIES			
Current liabilities			
Accruals and other payables		**535**	500
Total equity and liabilities		**66,565**	75,183
Net current assets		**332**	1,093
Total assets less current liabilities		**66,030**	74,683

Approved by the Board of Directors on 24 April 2009

Director	*Director*
Lam Yin Kee	**Yeung Po Wah**

The notes on pages 43 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company					
	Note	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2007		3,000	42,905	106,539	11,400	4,840	168,684
Fair value gain on available-for-sale financial assets	21	–	124	–	–	120	244
Currency translation differences		–	2,790	–	–	180	2,970
Contribution by minority shareholders of a subsidiary		–	–	–	–	4	4
Employee share option scheme – issues of shares upon exercise of share options	30	130	14,289	–	–	–	14,419
Employee share option scheme – value of employee services	30	–	353	–	–	–	353
Profit for the year		–	–	48,917	–	1,812	50,729
Final dividend relating to 2006		–	(95)	–	(11,400)	–	(11,495)
Interim dividend paid	15	–	–	(15,634)	–	–	(15,634)
Proposed final dividend	15	–	–	(12,520)	12,520	–	–
Allocation to statutory reserve		–	3,314	(3,314)	–	–	–
Balance at 31 December 2007		3,130	63,680	123,988	12,520	6,956	210,274
Balance at 1 January 2008 as per above		3,130	63,680	123,988	12,520	6,956	210,274
Fair value gain on available-for-sale financial assets	21	–	67	–	–	64	131
Repurchase of shares		(42)	(8,245)	(42)	–	–	(8,329)
Shares issued for acquisition of a subsidiary		55	732	–	–	–	787
Acquisition of a subsidiary	35	–	–	–	–	(7,180)	(7,180)
Currency translation differences		–	643	–	–	230	873
Share options lapsed	30	–	(61)	61	–	–	–
Loss for the year		–	–	(9,602)	–	(955)	(10,557)
Final dividend relating to 2007	15	–	–	–	(12,520)	–	(12,520)
Allocation to statutory reserve		–	750	(750)	–	–	–
Balance at 31 December 2008		**3,143**	**57,566**	**113,655**	**–**	**(885)**	**173,479**

The notes on pages 43 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	34	**(10,127)**	94,997
Interest paid		**(5,505)**	(7,602)
PRC income tax paid		**(2,658)**	(3,028)
Hong Kong profits tax paid		**(1,015)**	(14,374)
Net cash (used in)/generated from operating activities		**(19,305)**	69,993
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	35	**(17,748)**	–
Loan to a subsidiary before acquisition		**(2,000)**	–
(Increase)/Decrease in prepayment for non-current assets		**(1,211)**	3,139
Purchase of property, plant and equipment	16	**(18,389)**	(13,681)
Proceeds from sale of property, plant and equipment	34	**264**	261
Purchase of financial assets at fair value through profit or loss		**(7,712)**	(25,391)
Proceeds from sale of financial assets at fair value through profit or loss		**7,614**	38,371
Interest income from bank deposits		**1,434**	4,037
Dividends received from available-for-sale financial assets		**21**	22
Net cash (used in)/generated from investing activities		**(37,727)**	6,758
Cash flows from financing activities			
Proceeds from issuance of shares upon exercise of share options		**–**	14,419
Share capital of a subsidiary contributed by minority shareholders		**–**	4
Repurchase of shares of the Company	29	**(8,329)**	–
Capital element of finance lease payments		**(2,434)**	(3,077)
Dividends paid to the Company's shareholders	15	**(12,520)**	(27,129)
Repayments of borrowings		**(13,545)**	(35,042)
Proceeds from borrowings		**46,333**	23,807
(Increase)/Decrease in pledged bank deposits		**(34)**	56
Net cash generated from/(used in) financing activities		**9,471**	(26,962)
Net (decrease)/increase in cash and cash equivalents		**(47,561)**	49,789
Cash, cash equivalents and bank overdrafts at beginning of year		**95,090**	44,859
Exchange gains on cash and bank overdrafts		**610**	442
Cash, cash equivalents and bank overdrafts at end of the year	27	**48,139**	95,090

The notes on pages 43 to 103 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Group are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. During the year, the Group acquired 51% equity interests in Dynamic Progress International Limited ("Dynamic"), being a limited liability company incorporated in Hong Kong engaging in the manufacturing of biodiesel in Hong Kong. Details of the activities of the principal subsidiaries are set out in Note 19 to the financial statements.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 April 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for certain presentational changes.

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) *Amendments and interpretations effective in 2008*

In 2008, the Group has adopted the following new amendments and interpretations to existing standards effective for the Group's financial year beginning on or after 1 January 2008:

HKAS 39 & HKFRS 7 (Amendments)	Amendments to HKAS 39 – Financial instruments: Recognition and measurement and HKFRS 7 – Financial instruments: Disclosures – Reclassification of financial assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

(b) *Interpretation effective in 2008 but not relevant*

The following interpretation to published standard is mandatory for the accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

HK(IFRIC) – Int 12	Service concession arrangements

The adoption of the above interpretation to existing standards did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented.

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 & 1 (Amendments)	Financial instruments: Presentation and Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Eligible hedged items
HKFRS 1 (Amendment) and HKAS 27	First time adoption of HKFRS and Consolidated and separate financial statements
HKFRS 2 (Amendment)	Share-based payment
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 15	Agreements for the construction of real estates
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
HK(IFRIC) – Int 18	Transfers of assets from customers

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

Improvements to the following HKFRS from the Hong Kong Institute of Certified Public Accountants published in October 2008:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 2 (Amendment)	Inventories
HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7, 'Statement of cash flows')
HKAS 19 (Amendment)	Employee benefits
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance
HKAS 23 (Amendment)	Borrowing costs
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 28 (Amendment)	Investments in associates (and consequential amendments to HKAS 32 'Financial instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures')
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies
HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7)
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKAS 40 (Amendment)	Investment property (and consequential amendment to HKAS 16)
HKAS 41 (Amendment)	Agriculture
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, 'First-time adoption')

Minor amendments to HKFRS 7 'Financial instruments: Disclosures', HKAS 8 'Accounting policies, changes in accounting estimates and errors', HKAS 10 'Events after the balance sheet date', HKAS 18 'Revenue' and HKAS 34 'Interim financial reporting'.

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations to existing standards but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have a significant impact to its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

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

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

(b) Transactions with minority interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

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

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

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

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

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other losses – net, in the income statement.

2.6 Goodwill

(a) Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill (Continued)

(b) *Contractual customer relationships*

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

2.7 Impairment of investments in subsidiaries, associates and non-financial assets

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

2.8 Financial assets

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

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Note 2.10 and 2.11).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(c) Available-for-sale financial assets

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

(d) Recognition and measurement

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(d) Recognition and measurement (Continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

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

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Borrowings

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

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

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

2.14 Current and deferred income tax

The tax expense comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits

(a) *Pension obligations*

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

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

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

(b) *Employee leave entitlements*

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

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

(c) *Bonus plans*

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits (Continued)

(d) Share-based compensation

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

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

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provision are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Contingent liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

(a) Sales of goods

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

(b) Interest income

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

(c) Dividend income

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

2.19 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayments made for leasehold land and land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases (Continued)

(b) *Finance lease*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 Dividend distribution

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

2.21 Trade payables

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

2.22 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of these derivative instruments are recognised in the income statement within 'other losses – net'.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is mainly carried out by the finance and accounts department (the "Finance and Accounts Department") under policies approved by the Board of Directors. The Finance and Accounts Department identifies and evaluates financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (US dollar) and Renminbi (RMB). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group engage in transactions mainly in HK dollar, US dollar and RMB to the extent possible. The Group manages its exposure through constant monitoring to minimise the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance and Accounts Department of the Group is responsible for monitoring and managing the net position in each foreign currency.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The exchange rates between HK dollar and US dollar have remained relatively stable for the years ended 31 December 2008 and 2007.

The Group has certain investments and operations in the PRC, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations in the PRC is managed primarily through operating liabilities denominated in RMB.

At 31 December 2008, if HK dollar had weakened/strengthened by 10% against RMB with all other variables held constant, post-tax loss for the year would have been HK$1,118,000 higher/lower (2007 profit: HK$218,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of RMB denominated trade and other payables and bank balances and cash. Loss/Profit is more sensitive to movement in HK dollar/RMB exchange rates in 2008 than 2007 because of the increased amount of RMB denominated trade and other payables.

At 31 December 2008, if HK dollar had weakened or strengthened by 1% against US dollar with all other variables held constant, post-tax loss for the year would have been HK$359,000 lower or HK$1,344,000 higher respectively from the revaluation of derivative financial instruments (2007: nil).

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except its bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arose from bills payable, finance lease liabilities and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During the years ended 31 December 2008 and 2007, the Group's borrowings were denominated in HK dollars and US dollars.

The Group regularly seeks out the most favourable interest rates available for its bank deposits and borrowings. Information relating to interest rates of the Group's bank balances, deposits and borrowings are disclosed in Notes 27 and 32, respectively.

At 31 December 2008, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$885,000 higher/lower (2007 profit: HK$480,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk.

The Group's equity investments held as available-for-sale are capital guaranteed funds which are not publicly traded. The Group does not actively trade in equity investments and in the opinion of the board of directors, the price risk related to trading activities to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosures for price risk have been prepared.

(b) Credit risk

Credit risk arises mainly from cash with banks, as well as credit exposures to customers. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits for each customer are set with reference to the internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. As at 31 December 2008, the Group's largest customer accounted for approximately 24.4% of total trade receivables (2007: 6.5%). This customer has an appropriate credit history and the Group does not consider there is any significant credit risk in this regard.

No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

The Group control its credit risk on cash with banks through regular review of their credit ratings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Owing to the dynamic nature and continuous growth in business, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve, comprising undrawn borrowing facilities (Note 37) and cash and cash equivalents (Note 27) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*
Group			
At 31 December 2008			
Bank borrowings and bank overdrafts	**38,027**	**32,981**	**–**
Obligations under finance leases	**1,398**	**1,142**	**–**
Bills payable and trust receipt loans	**17,088**	**–**	**–**
Trade and other payables	**81,359**	**916**	**–**
Derivative financial instruments	**1,350**	**–**	**–**
At 31 December 2007			
Bank borrowings and bank overdrafts	24,869	4,990	–
Obligations under finance leases	2,660	2,567	–
Bills payable and trust receipt loans	14,038	–	–
Trade and other payables	74,873	641	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet.

The gearing ratio as at 31 December 2008 is as follows:

	HK$'000
Total borrowings	**88,526**
Less: Trade related debts	**(17,088)**
Cash and cash equivalents	**(64,796)**
Net debt	**6,642**
Total equity	**173,479**
Gearing ratio	**3.8%**

The net debt position as at 31 December 2008 was mainly due to the new bank loans of HK$46 million obtained during the year. At 31 December 2007, the Group had a net cash position and did not have any gearing.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

No impairment charge has been recognised during the years ended 31 December 2008 and 2007.

If the budgeted gross margin used in the value-in-use calculation had been 10% lower than management's estimates at 31 December 2008, or if the estimated pre-tax discount rate applied to the discounted cash flows for the cash-generating unit had been 1% higher than management's estimates, the estimated value-in-use amount would still exceed the carrying value of goodwill.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Income taxes

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

(c) Estimated impairment of property, plant and equipment

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

(d) Estimated impairment provision for impaired receivables

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

Were the impairment provision for impaired receivables was to differ by 10% from management's estimates, the carrying value of trade receivables would have been HK$338,000 (2007: HK$101,000) higher/lower.

(e) Estimated provision for inventory

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

If the provision for inventory was to differ by 10% from management's estimates, the carrying value of inventory would have been HK$728,000 (2007: HK$432,000) higher/lower.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. During the year, the Group has commenced the business of manufacturing of biodiesel through the acquisition of a 51% owned subsidiary. The acquisition of the subsidiary was completed on 27 November 2008 and the turnover and contributions from the biodiesel business are insignificant in the current year.

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**497,364**	575,080
Other income		
Dividends from available-for-sale financial assets	**21**	22
	497,385	575,102

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segment

During the year, the Group has been operating principally in one single business segment, namely the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. The operation of the biodiesel business was not significant during the year and therefore has not been regarded as a separate reporting segment.

(b) Secondary reporting format – geographical segment

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

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

Revenue

	2008	2007
	HK$'000	*HK$'000*
The United States	**229,987**	361,781
Hong Kong	**141,618**	125,159
Europe	**60,788**	50,695
PRC	**21,079**	16,163
Other countries	**43,892**	21,282
	497,364	575,080

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

Capital expenditure

	2008	2007
	HK$'000	*HK$'000*
PRC	**12,960**	13,403
Hong Kong	**5,429**	2,618
	18,389	16,021

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segment (Continued)

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

Total assets

	2008	2007
	HK$'000	HK$'000
PRC	**155,106**	148,029
Hong Kong	**194,104**	189,319
	349,210	337,348

6 EXPENSES BY NATURE

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold *(Note 22)*	**286,599**	307,285
Provision for impairment of inventories	**2,967**	2,639
Employee benefit expense		
– excluding Directors' emoluments *(Note 9)*	**107,528**	89,723
Employee benefit expense		
– Directors' emoluments *(Note 10)*	**7,057**	6,094
Depreciation *(Note 16)*		
– Owned fixed assets	**14,994**	13,319
– Leased fixed assets	**1,312**	1,626
Provision for impairment on receivables *(Note 23)*	**2,370**	469
Impaired receivables written-off	**–**	113
Amortisation of prepaid operating lease payments *(Note 17)*	**50**	50
Operating lease payments	**11,592**	10,530
Auditor's remuneration	**1,496**	1,537
Other expenses	**64,331**	74,705
Total of cost of sales, distribution costs, and administrative expenses	**500,296**	508,090

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER LOSSES – NET

	2008	2007
	HK$'000	*HK$'000*
Dividends from available-for-sale financial assets	**21**	22
(Loss)/Gain on disposals of financial assets at fair value through profit or loss	**(98)**	2,522
Fair value loss on derivative financial instruments	**(1,350)**	–
Net foreign exchange losses	**(1,542)**	(3,136)
Gain/(Loss) on disposals of property, plant and equipment *(Note 34)*	**52**	(1,187)
Others	**459**	246
	(2,458)	(1,533)

8 FINANCE COSTS – NET

	2008	2007
	HK$'000	*HK$'000*
Interests on bank loans and bank overdrafts	**5,289**	7,242
Interest element of finance leases	**216**	360
Total finance costs	**5,505**	7,602
Less: Interest income from bank deposits	**(1,434)**	(4,037)
Finance costs – net	**4,071**	3,565

9 EMPLOYEE BENEFIT EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**94,495**	80,371
Pension costs – defined contribution plans *(Note 11)*	**759**	803
Staff welfare and allowances	**12,274**	8,196
Share-based payment expenses *(Note 30)*	**–**	353
	107,528	89,723

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits[1]	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Mr. Lam Yin Kee	**–**	**2,338**	**–**	**1,200**	**–**	**12**	**3,550**
Ms. Yeung Po Wah	**–**	**786**	**–**	**–**	**–**	**12**	**798**
Mr. Toshio Daikai	**–**	**819**	**4**	**166**	**–**	**–**	**989**
Mr. So Kin Hung [2]	**–**	**696**	**4**	**–**	**–**	**12**	**712**
Non-executive Directors							
Mr. Fan Chung Yue, William	**252**	**–**	**–**	**–**	**–**	**–**	**252**
Mr. Barry John Buttifant	**252**	**–**	**–**	**–**	**–**	**–**	**252**
Mr. Leung Kam Wah	**252**	**–**	**–**	**–**	**–**	**–**	**252**
Ms. Yeung Chi Ying	**252**	**–**	**–**	**–**	**–**	**–**	**252**

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits[1]	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Mr. Lam Yin Kee	–	2,210	–	1,140	–	12	3,362
Ms. Yeung Po Wah	–	751	–	–	–	12	763
Mr. Toshio Daikai	–	816	–	140	–	5	961
Non-executive Directors							
Mr. Fan Chung Yue, William	252	–	–	–	–	–	252
Mr. Barry John Buttifant	252	–	–	–	–	–	252
Mr. Leung Kam Wah	252	–	–	–	–	–	252
Ms. Yeung Chi Ying	252	–	–	–	–	–	252

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

2 Mr. So Kin Hung was appointed as Director of the Group from 1 August 2008.

During the year, no emoluments were paid by the Group to the Directors as an inducement to joint or upon joining the Group or as compensation for the loss of office.

Save as above, there has been no arrangement under which a director has waived or agreed to waive any emoluments for the years ended 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**3,488**	2,843
Pension costs – defined contribution plan	**24**	32
Bonus	**12**	–
	3,524	2,875

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**3**	1

11 PENSIONS – DEFINED CONTRIBUTION PLANS

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

For the year ended 31 December 2008, the aggregate amount of the Group's contributions to the MPF Scheme was approximately HK$795,000 (2007: HK$832,000). As at 31 December 2008, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions under the MPF Scheme (2007: Nil).

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local governments, which is a defined contribution plan. The Group and its employees contribute approximately 10% and 8%, respectively, of the salary as specified by the relevant local governments, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**630**	7,911
– PRC enterprise income tax *(Note a)*	**3,033**	3,172
Under-provision in prior years	**163**	35
Deferred income tax *(Note 33)*	**(2,730)**	45
	1,096	11,163

Note:

(a) PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. As at 31 December 2008, the Company had five subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), Alltronics Tech. Mftg. Limited ("ATM"), Southchina Engineering and Manufacturing Limited ("Southchina"), 陽江市華訊電子制品有限公司 ("陽江華訊") and 南盈科技發展(深圳)有限公司 ("南盈"). During the year, Shenzhen Allcomm, ATM, Southchina and 南盈 were subject to a standard income tax rate of 18% and 陽江華訊 was subject to a standard income tax rate of 25% in accordance with the relevant applicable tax laws. 南盈 was entitled to full exemption of PRC income tax for the two years ended 31 December 2005, followed by a 50% reduction of PRC income tax for the three years ended 31 December 2008.

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

	2008	2007
	HK$'000	*HK$'000*
(Loss)/Profit before taxation	**(9,461)**	61,892
Calculated at a taxation rate of 16.5% (2007: 17.5%)	**(1,561)**	10,831
Effect of different taxation rates in other countries	**(91)**	(60)
Income not subject to taxation	**(268)**	(836)
Expenses not deductible for tax purposes	**428**	1,037
Under-provision in prior years	**163**	35
Tax losses for which no deferred income tax asset was recognised	**1,344**	202
Effect of change in tax rate	**(28)**	–
Others	**1,109**	(46)
	1,096	11,163

NOTES TO THE FINANCIAL STATEMENTS

13 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK$11,409,000 (2007: HK$26,829,000).

14 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2008	2007
(Loss)/Profit attributable to equity holders of the Company (HK$'000)	**(9,602)**	48,917
Weighted average number of ordinary shares in issue (thousand)	**312,020**	306,388
Basic (loss)/earnings per share (HK cents per share)	**(3.08)**	15.97

(b) Diluted

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

	2008	2007
(Loss)/Profit attributable to equity holders of the Company (HK$'000)	**(9,602)**	48,917
Weighted average number of ordinary shares in issue (thousand)	**312,020**	306,388
Adjustments for share options (thousand)	**–**	825
Weighted average number of ordinary shares for diluted (loss)/earnings per share (thousand)	**312,020**	307,213
Diluted (loss)/earnings per share (HK cents per share)	**(3.08)**	15.92

Diluted loss per share is the same as basic loss per share presented for the year ended 31 December 2008 as the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

15 DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK$nil (2007: HK$5.0 cents) per ordinary share	–	15,634
Proposed final dividend of HK$nil (2007: HK$4.0 cents) per ordinary share *(Note a)*	–	12,520
	–	28,154

Note:

(a) No dividend has been declared for the year ended 31 December 2008.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	**Furniture and fixtures**	**Office equipment**	**Plant and machinery**	**Leasehold improvements**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007							
Cost	8,581	13,497	12,675	57,891	29,300	6,826	128,770
Accumulated depreciation	(1,234)	(8,349)	(7,184)	(38,279)	(14,200)	(3,463)	(72,709)
Net book amount	7,347	5,148	5,491	19,612	15,100	3,363	56,061
Year ended 31 December 2007							
Opening net book amount	7,347	5,148	5,491	19,612	15,100	3,363	56,061
Exchange differences	–	309	207	509	752	62	1,839
Additions	–	522	1,039	6,929	4,607	2,924	16,021
Disposals	–	(294)	(316)	(774)	(8)	(56)	(1,448)
Depreciation	(173)	(981)	(1,471)	(6,760)	(4,379)	(1,181)	(14,945)
Closing net book amount	7,174	4,704	4,950	19,516	16,072	5,112	57,528

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007							
Cost	8,581	11,615	11,140	62,448	35,192	9,238	138,214
Accumulated depreciation	(1,407)	(6,911)	(6,190)	(42,932)	(19,120)	(4,126)	(80,686)
Net book amount	7,174	4,704	4,950	19,516	16,072	5,112	57,528
Year ended 31 December 2008							
Opening net book amount	7,174	4,704	4,950	19,516	16,072	5,112	57,528
Exchange differences	–	321	227	630	975	68	2,221
Acquisition of a subsidiary *(Note 35)*	–	85	66	1,207	1,964	–	3,322
Additions	–	527	3,621	4,325	8,710	1,206	18,389
Disposals	–	(12)	(48)	(105)	–	(47)	(212)
Depreciation	(173)	(1,006)	(1,785)	(6,523)	(5,294)	(1,525)	(16,306)
Closing net book amount	7,001	4,619	7,031	19,050	22,427	4,814	64,942
At 31 December 2008							
Cost	8,581	12,653	14,718	68,694	47,820	9,701	162,167
Accumulated depreciation	(1,580)	(8,034)	(7,687)	(49,644)	(25,393)	(4,887)	(97,225)
Net book amount	7,001	4,619	7,031	19,050	22,427	4,814	64,942

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

As at 31 December 2008, the aggregate cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to HK$8,508,000 (2007: HK$10,273,000) and HK$3,748,000 (2007: HK$3,764,000), respectively.

Depreciation expense of HK$14,431,000 (2007: HK$13,328,000) has been charged in cost of sales and HK$1,875,000 (2007: HK$1,617,000) in administrative expenses respectively.

17 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

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

	2008	2007
	HK$'000	*HK$'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,072**	2,122

	2008	2007
	HK$'000	*HK$'000*
Opening net book amount	**2,122**	2,172
Amortisation of prepaid operating lease payment *(Note 6)*	**(50)**	(50)
Closing net book amount	**2,072**	2,122

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSET – GROUP

	Goodwill	Customers relationships	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007			
Cost	11,672	–	11,672
Accumulated amortisation and impairment	–	–	–
Net book amount	11,672	–	11,672
Year ended 31 December 2007			
Opening net book amount	11,672	–	11,672
Impairment during the year	–	–	–
Closing net book amount	11,672	–	11,672
At 31 December 2007			
Cost	11,672	–	11,672
Accumulated amortisation and impairment	–	–	–
Net book amount	11,672	–	11,672
Year ended 31 December 2008			
Opening net book amount	11,672	–	11,672
Acquisition of a subsidiary *(Note 35)*	8,315	521	8,836
Impairment during the year	–	–	–
Closing net book amount	19,987	521	20,508
At 31 December 2008			
Cost	19,987	521	20,508
Accumulated amortisation and impairment	–	–	–
Net book amount	19,987	521	20,508

18 INTANGIBLE ASSET – GROUP (Continued)

Impairment tests for goodwill

The goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of two subsidiaries, namely Southchina and Dynamic. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. Management considers Southchina and Dynamic as two separate cash-generating units (the 'CGUs'). The recoverable amount of the CGUs is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina and Dynamic, approved by management covering a five-year period. The pre-tax discount rate of 9.5% and 19.8% have been applied to the cash flow projections for Southchina and Dynamic respectively to reflect specific risks relating to the CGUs. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the goodwill.

The key assumptions used for the value-in-use calculation for Southchina are as follows:

Average gross margin	13.5%
Average growth rate	8.9%
Discount rate	9.5%

The key assumptions used for the value-in-use calculation for Dynamic are as follows:

Average gross margin	59.4%
Average growth rate	43.9%
Discount rate	19.8%

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

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

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

(c) Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted growth rates used are consistent with the forecasts. The discount rates used are pre-tax and reflect specific risks relating to the business.

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted investments, at cost *(Note a)*	**2,377**	1,590
Due from subsidiaries *(Note b)*	**63,321**	72,000
	65,698	73,590

Notes:

(a) The following is a list of subsidiaries as at 31 December 2008:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Alltronics (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	[1]100%
Alltronics Resources Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	[1]100%
Alltronics Tech. Mftg. Limited	Hong Kong, limited liability company	Research and development, manufacturing and trading of electronic products in Hong Kong and PRC	500,000 ordinary shares of HK$1 each	100%
Allcomm (H.K.) Limited	Hong Kong, limited liability company	Investment holding and trading of electronic products in Hong Kong	2 ordinary shares of HK$1 each	100%
Shenzhen Allcomm Electronic Co. Ltd.	PRC, limited liability company	Manufacturing of electronic products in PRC	Registered capital of US$1,728,397	100%
Dynamic Progress International limited	Hong Kong, limited liability company	Manufacturing of biosiesel in Hong Kong	10,000 ordinary shares of HK$1 each	51%
WT Technology Development Company Limited	Hong Kong, limited liability company	Research and development of telecommunication products	10,000 ordinary shares of HK$1 each	65%

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

(a) (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Southchina Engineering and Manufacturing Limited	Hong Kong, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	1,000,000 ordinary shares of HK$1 each	51%
陽江華訊電子制品有限公司	PRC, limited liability company	Manufacturing of transformers, solenoids and other components for electronic products in the PRC	Registered capital of US$1,500,000	100%
南盈科技發展（深圳）有限公司	PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$7,700,000	51%
Quant Electronics (HK) Limited	Hong Kong, limited liability company	Dormant	180,000 ordinary shares of HK$1 each	51%

[1] Shares held directly by the Company

(b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(c) During the year, 陽江華訊電子制品有限公司 was incorporated as an wholly owned foreign enterprise in the PRC with a registered capital of US$1,500,000, of which US$1,050,000 has been paid up as at 31 December 2008. 陽江華訊電子制品有限公司 is engaged in the manufacturing of transformers, solenoids and other components for electronic products in the PRC.

(d) During the year, the Group acquired 51% equity interest in Dynamic. Dynamic is principally engaged in the manufacturing of biodiesel in Hong Kong.

20 INTERESTS IN AN ASSOCIATE

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**–**	–
Share of loss	**–**	–
	–	–

As at 31 December 2008, the Group's interest in an associate, which is unlisted, was as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Interest held indirectly
			HK$'000	*HK$'000*	
TSC Manufacturing Limited ("TSC")	3,000,000 ordinary shares of HK$1 each	Hong Kong	–	–	20.4%

TSC has ceased business and remained dormant since 1 July 2006 and is in progress of voluntary winding up.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Unlisted capital guaranteed funds in Hong Kong:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**3,482**	3,238
Net gains transferred to equity	**131**	244
End of the year	**3,613**	3,482

There was no disposal or impairment provision on available-for-sale financial assets in 2008 and 2007.

As at 31 December 2008, available-for-sale financial assets with an aggregate carrying amount of HK$3,613,000 (2007: HK$3,482,000) were pledged to a bank to secure loan and overdraft facilities granted to Southchina (Note 37). Available-for-sale financial assets are denominated in US dollars.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

22 INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**42,887**	50,078
Work in progress	**17,059**	15,958
Finished goods	**20,484**	17,411
	80,430	83,447

The cost of inventories recognised as an expense and included in cost of inventories sold amounted to HK$286,599,000 (2007: HK$307,825,000).

23 TRADE RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**92,877**	65,528
Less: provision for impairment of receivables	**(3,382)**	(1,012)
	89,495	64,516

As at 31 December 2007 and 2008, the fair values of trade receivables approximated their carrying amounts.

23 TRADE RECEIVABLES (Continued)

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

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**47,506**	36,203
31 – 60 days	**22,563**	16,787
61 – 90 days	**10,854**	5,657
91 – 120 days	**8,181**	4,310
121 – 365 days	**2,308**	1,116
Over 365 days	**1,465**	1,455
	92,877	65,528
Less: provision for impairment of receivables	**(3,382)**	(1,012)
	89,495	64,516

As of 31 December 2008, trade receivables of HK$17,311,000 (2007: HK$25,823,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**140**	3,299
31 – 60 days	**6,798**	11,151
61 – 90 days	**3,774**	5,503
91 – 120 days	**4,669**	4,311
121 – 365 days	**1,930**	1,559
	17,311	25,823

23 TRADE RECEIVABLES (Continued)

As of 31 December 2008, trade receivables of HK$3,382,000 (2007: HK$1,012,000) were impaired. The amount of the provision was HK$3,382,000 as of 31 December 2008 (2007: HK$1,012,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**–**	–
31 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 120 days	**1,496**	–
121 – 365 days	**467**	–
Over 365 days	**1,419**	1,012
	3,382	1,012

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
US dollars	**80,411**	52,326
HK dollars	**6,272**	8,727
RMB	**1,963**	1,387
Japanese Yen	**849**	2,076
	89,495	64,516

23 TRADE RECEIVABLES (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 January	**1,012**	5,684
Provision for impairment on receivables *(Note 6)*	**2,370**	469
Written off during the year as uncollectible	**–**	(5,141)
At 31 December	**3,382**	1,012

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement (Note 6). The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

24 AMOUNT DUE FROM A RELATED COMPANY

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

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

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

26 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Forward foreign exchange contract

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2008 was US$2,000,000 (2007: nil). Derivative financial instrument was stated at fair value as at 31 December 2008. Changes in fair values of derivative financial instruments are recorded in 'other losses – net' in the income statement.

(b) Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at 31 December 2008 was HK$20,000,000 (2007: nil). Derivative financial instrument was stated at fair value as at 31 December 2008. Changes in fair values of derivatives financial instruments are recorded in 'other losses – net' in the income statement.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and on hand	**64,796**	104,634	**798**	1,554
Short-term bank deposits	**–**	–	**–**	–
	64,796	104,634	**798**	1,554
Maximum exposure to credit risk	**63,901**	104,144	**798**	1,554
Denominated in:				
– US Dollars	**47,245**	88,721	**–**	–
– HK Dollars	**7,451**	8,236	**798**	1,554
– RMB	**10,063**	7,605	**–**	–
– Other currencies	**37**	72	**–**	–
	64,796	104,634	**798**	1,554

The Group did not have any short-term bank deposits at 31 December 2008.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**64,796**	104,634	**798**	1,554
Bank overdrafts *(Note 32)*	**(16,657)**	(9,544)	**–**	–
	48,139	95,090	**798**	1,554

The Group's bank balances and cash of approximately HK$10,063,000 and HK$7,605,000 as at 31 December 2008 and 2007, respectively, were denominated in RMB and kept in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

28 TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**25,999**	24,154
31 – 60 days	**24,036**	19,777
61 – 90 days	**3,816**	5,649
91 – 120 days	**509**	941
121 – 365 days	**1,260**	587
Over 365 days	**292**	145
	55,912	51,253

The carrying amounts of trade payables approximated their fair values. The credit period granted by the creditors generally ranged from 30 to 60 days.

29 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Group and Company	
	2008	2007
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2007: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
314,320,000 (2007: 312,990,000) ordinary shares of HK$0.01 each	**3,143**	3,130

29 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY (Continued)

A summary of the movements of the Company's issued ordinary share capital and share premium account is as follows:

	Note	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2007		300,000,000	3,000	34,410	37,410
Issue of shares upon exercise of share options under employee share option scheme	*(a)*	12,990,000	130	15,842	15,972
Payment of final dividend relating to 2006		–	–	(95)	(95)
At 31 December 2007		312,990,000	3,130	50,157	53,287
Repurchase of shares	*(b)*	(4,170,000)	(42)	(8,287)	(8,329)
Shares issued upon acquisition of a subsidiary	*(c)*	5,500,000	55	732	787
At 31 December 2008		**314,320,000**	**3,143**	**42,602**	**45,745**

Notes:

(a) No share options have been exercised during the year ended 31 December 2008. During the year ended 31 December 2007, a total of 12,990,000 share options had been exercised and a total of 12,990,000 shares were issued and fully paid.

(b) During the year ended 31 December 2008, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
August 2008	4,170,000	2.45	1.70	8,329

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$8,287,000 was charged to the share premium.

(c) During the year ended 31 December 2008, the Company has issued a total of 5,500,000 shares, credited as fully paid, as the initial consideration for the acquisition of a subsidiary, Dynamic.

NOTES TO THE FINANCIAL STATEMENTS

30 SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

(i) the nominal value of a share;

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

30 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

During the year ended 31 December 2008, no share options were granted, exercised or cancelled. A total of 510,000 share options have been lapsed during the year ended 31 December 2008.

Share option expenses in relation to the share options attributable to Directors and employees of the Company recognised by the Company and the main operating subsidiaries of the Company were HK$nil (2007: HK$nil) and HK$nil (2007: HK$353,000) respectively.

The fair values of the share options granted during the year ended 31 December 2007 were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Year of grant	2007
Exercise price	HK$2.94
Closing share price on date of grant	HK$2.94
Expected life	Two years
Expected volatility	34.61%
Expected dividend yield	2.38%
Risk free rate	4.30%

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

As 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 600,000 (2007:1,110,000), representing 0.19% (2007: 0.35%) of the total number of shares of the Company in issue at that date.

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

	Number of share options					
	Held at 1 January 2008	**Granted during the year**	**Exercised during the year**	**Cancelled or lapsed during the year**	**Held at 31 December 2008**	**Exercise price per share (HK$)**
Executive Directors	–	–	–	–	–	–
Other employees	510,000	–	–	(510,000)	–	1.11
Other employees	600,000	–	–	–	600,000	2.94
Total	1,110,000	–	–	(510,000)	600,000	

NOTES TO THE FINANCIAL STATEMENTS

31 RESERVES

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve (note a) HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2007	34,410	5,799	–	1,117	(35)	1,614	–	106,539	11,400	160,844
Fair value gain on available-for-sale financial assets *(Note 21)*	–	–	–	–	124	–	–	–	–	124
Currency translation differences	–	–	–	2,790	–	–	–	–	–	2,790
Employee share option scheme – issue of shares upon exercise of share options *(Note 30)*	15,842	–	–	–	–	(1,553)	–	–	–	14,289
Employee share option scheme – value of employee services *(Note 30)*	–	–	–	–	–	353	–	–	–	353
Profit for the year	–	–	–	–	–	–	–	48,917	–	48,917
Final dividend relating to 2006	(95)	–	–	–	–	–	–	–	(11,400)	(11,495)
Interim dividend paid	–	–	–	–	–	–	–	(15,634)	–	(15,634)
Proposed final dividend	–	–	–	–	–	–	–	(12,520)	12,520	–
Allocation to statutory reserve *(note a)*	–	–	3,314	–	–	–	–	(3,314)	–	–
Balance at 31 December 2007	50,157	5,799	3,314	3,907	89	414	–	123,988	12,520	200,188
Balance at 1 January 2008, as per above	50,157	5,799	3,314	3,907	89	414	–	123,988	12,520	200,188
Fair value gain on available-for-sale financial assets *(Note 21)*	–	–	–	–	67	–	–	–	–	67
Currency translation differences	–	–	–	643	–	–	–	–	–	643
Employee share option scheme – lapse of share options *(Note 30)*	–	–	–	–	–	(61)	–	61	–	–
Shares issued for acquisition of a subsidiary *(Note 35)*	732	–	–	–	–	–	–	–	–	732
Repurchases of shares	(8,287)	–	–	–	–	–	42	(42)	–	(8,287)
Loss for the year	–	–	–	–	–	–	–	(9,602)	–	(9,602)
Final dividend relating to 2007	–	–	–	–	–	–	–	–	(12,520)	(12,520)
Allocation to statutory reserve *(Note a)*	–	–	750	–	–	–	–	(750)	–	–
Balance at 31 December 2008	**42,602**	**5,799**	**4,064**	**4,550**	**156**	**353**	**42**	**113,655**	**–**	**171,221**

Note a:

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiary. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries.

31 RESERVES (Continued)

(b) Company

	Share premium	Share option reserve	Capital redemption reserve	Retained earnings	Proposed dividend	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2007	34,410	1,614	–	9,787	11,400	57,211
Employee share option scheme – issue of shares upon exercise of share options *(Note 30)*	15,842	(1,553)	–	–	–	14,289
Employee share option scheme – value of employee services *(Note 30)*	–	353	–	–	–	353
Profit for the year	–	–	–	26,829	–	26,829
Final dividend relating to 2006	(95)	–	–	–	(11,400)	(11,495)
Interim dividend paid	–	–	–	(15,634)	–	(15,634)
Proposed final dividend	–	–	–	(12,520)	12,520	–
Balance at 31 December 2007	50,157	414	–	8,462	12,520	71,553
Balance at 1 January 2008, as per above	50,157	414	–	8,462	12,520	71,553
Shares issued upon acquisition of a subsidiary	732	–	–	–	–	732
Employee share option scheme – lapse of share options *(Note 30)*	–	(61)	–	61	–	–
Repurchase of shares *(Note 29)*	(8,287)	–	42	(42)	–	(8,287)
Profit for the year	–	–	–	11,409	–	11,409
Final dividend relating to 2007	–	–	–	–	(12,520)	(12,520)
Balance at 31 December 2008	**42,602**	**353**	**42**	**19,890**	**–**	**62,887**

32 BORROWINGS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Bank loans, secured *(Note a)*	**52,384**	19,596
Obligations under finance leases *(Note b)*	**2,397**	4,831
Bills payable, secured	**15,329**	12,990
Trust receipt loans, secured	**1,759**	1,048
Bank overdrafts, secured	**16,657**	9,544
Total borrowings, wholly repayable within five years	**88,526**	48,009
Current portion of borrowings	**(55,202)**	(40,804)
Long-term borrowings	**33,324**	7,205

Notes:

(a) Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 37.

The Group's bank loans were repayable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**20,159**	14,803
In the second year	**23,568**	3,187
In the third to fifth year	**8,657**	1,606
	52,384	19,596

The carrying amounts of the bank borrowings approximated their fair values.

32 BORROWINGS (Continued)

Notes: (Continued)

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,398**	2,660
In the second year	**766**	1,425
In the third to fifth year	**376**	1,142
	2,540	5,227
Future finance charges on finance leases	**(143)**	(396)
Present value of finance lease liabilities	**2,397**	4,831

The present value of finance lease liabilities is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,298**	2,419
In the second year	**729**	1,313
In the third to fifth year	**370**	1,099
	2,397	4,831

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

	2008	2007
Bank loans	**3.9%**	6.3%
Obligations under finance leases	**5.5%**	5.9%
Bills payable	**5.0%**	7.0%
Trust receipt loans	**5.5%**	7.3%
Bank overdrafts	**5.7%**	7.1%

33 DEFERRED INCOME TAX

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(2,660)**	(54)
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**1,444**	1,568

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

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**1,514**	1,469
(Credited)/Charged to the consolidated income statement *(Note 12)*	**(2,730)**	45
End of the year	**(1,216)**	1,514

33 DEFERRED INCOME TAX (Continued)

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

Deferred tax assets

	Tax losses	Other	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	–	(53)	(53)
Credited to the income statement	–	(1)	(1)
At 31 December 2007	–	(54)	(54)
Credited to the income statement	(1,583)	(1,023)	(2,606)
At 31 December 2008	**(1,583)**	**(1,077)**	**(2,660)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2008, the Group has estimated unrecognised tax losses of HK$16,889,000 (2007: Nil) to carry forward against future taxable income. Except for the estimated tax losses of HK$5,482,000 expiring within five years, the tax losses have no expiry.

Deferred tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2007	1,522
Charged to the income statement	46
At 31 December 2007	1,568
Credited to the income statement	(124)
At 31 December 2008	**1,444**

NOTES TO THE FINANCIAL STATEMENTS

34 CASH (USED IN)/GENERATED FROM OPERATIONS

	2008	2007
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	**(9,461)**	61,892
Adjustments for:		
Depreciation *(Note 16)*	**16,306**	14,945
Amortisation of prepaid operating lease payments *(Note 17)*	**50**	50
(Gain)/Loss on disposals of property, plant and equipment	**(52)**	1,187
Loss/(Gain) on disposals of financial assets at fair value through profit or loss *(Note 7)*	**98**	(2,522)
Fair value loss on derivative financial instruments *(Note 7)*	**1,350**	–
Provision for impairment of trade receivables *(Note 23)*	**2,370**	469
Share-based payments *(Note 30)*	**–**	353
Dividends from available-for-sale financial assets *(Note 7)*	**(21)**	(22)
Finance costs – net *(Note 8)*	**4,071**	3,565
	14,711	79,917
Changes in working capital:		
Trade receivables	**(27,131)**	19,649
Prepayments, deposits and other receivables	**(1,708)**	4,984
Inventories	**3,381**	4,790
Amount due from an associate	**–**	2
Amount due from minority shareholders of a subsidiary	**967**	118
Amount due from a related company	**(7,709)**	410
Bills payable and trust receipt loans	**3,050**	(16,449)
Trade payables	**2,529**	(4,532)
Accruals and other payables	**1,783**	6,108
Cash (used in)/generated from operations	**(10,127)**	94,997

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2008	2007
	HK$'000	*HK$'000*
Net book amount *(Note 16)*	**212**	1,448
Gain/(Loss) on disposal of property, plant and equipment	**52**	(1,187)
Proceeds from disposal of property, plant and equipment	**264**	261

34 CASH (USED IN)/GENERATED FROM OPERATIONS (Continued)

During the year ended 31 December 2007, non-cash transactions included the offsetting of the prepayments, deposits and other receivables and the current income tax liabilities of HK$14,645,000 upon the finalisation of the tax assessments from Inland Revenue Department for previous years.

35 BUSINESS COMBINATIONS

On 27 November 2008, the Group completed its acquisition of 51% equity interests in Dynamic, a company engaging in biodiesel business in Hong Kong, from Mr. Lam Yin Kee, a Director of the Company, at an initial consideration of 5,500,000 shares of the Company. A contingent consideration, which will be determined based on the level of Dynamic's profit for 2009 and to be settled by the issuance of the Company's shares, will be payable. The Group also acquired a shareholder's loan outstanding from Dynamic to Mr. Lam Yin Kee amounted to HK$10 million on 27 November 2008, for cash consideration of HK$10 million.

The revenue and net loss contributed by Dynamic to the Group for the period from 27 November 2008 to 31 December 2008 were approximately HK$207,000 and HK$581,000 respectively. If the acquisition had occurred on 1 January 2008, Group revenue would have been increased by approximately HK$2,331,000 and loss before income tax would have been increased by HK$5,697,000.

Details of intangible assets, net liabilities acquired and goodwill are as follows:

	HK$'000
Fair value of consideration shares issued	787
Fair value of estimated deferred consideration shares to be issued	56
Purchase consideration	843
Fair value of net liabilities acquired	7,472
Goodwill on acquisition of 51% equity interests in Dynamic *(Note 18)*	8,315

The goodwill is attributable to the high potential of future profitability of the acquired business. The fair value of consideration shares issued and deferred consideration shares to be issued is based on the closing market price of the Company's shares as of 27 November 2008 and 31 December 2008 respectively.

NOTES TO THE FINANCIAL STATEMENTS

35 BUSINESS COMBINATIONS (Continued)

The fair value and carrying amount of the assets and liabilities as of 27 November 2008 arising from the acquisition were as follows:

	Fair value *HK$'000*	Acquiree's carrying amount *HK$'000*
Cash and cash equivalents	(7,748)	(7,748)
Property, plant and equipment *(Note 16)*	3,322	3,322
Customer relationships *(Note 18)*	521	–
Inventories	364	364
Accounts receivable	217	217
Deposits, prepayments and other receivables	1,109	1,109
Accounts payable	(172)	(172)
Accruals and other payables	(265)	(265)
Short-term loan due to a related company	(2,000)	(2,000)
Shareholder's loan	(10,000)	(10,000)
Net liabilities	(14,652)	(15,173)
Minority interests' share of net liabilities (49%)	7,180	
Goodwill	8,315	
Total consideration paid	843	
Satisfied by:		
Fair value of consideration shares issued	787	
Fair value of deferred consideration shares	56	
	843	

35 BUSINESS COMBINATIONS (Continued)

	HK$'000
Purchase consideration settled in cash	–
Purchase of a shareholder's loan	(10,000)
Cash and cash equivalents in subsidiary acquired	(7,748)
Cash outflow on acquisition	(17,748)

There was no acquisition for the year ended 31 December 2007.

36 COMMITMENTS – GROUP

(a) Capital commitments

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

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**841**	408
Authorised but not contracted for	**–**	–
	841	408

(b) Operating lease commitments

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

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

	2008	2007
	HK$'000	*HK$'000*
Not later than 1 year	**12,932**	11,160
Later than 1 year and not later than 5 years	**12,701**	12,782
Later than 5 years	**–**	–
	25,633	23,942

NOTES TO THE FINANCIAL STATEMENTS

36 COMMITMENTS – GROUP (Continued)

(c) Financial commitment for investment in a subsidiary

During the year ended 31 December 2008, the Group has set up a wholly own foreign investment enterprise in the PRC with a registered capital of US$1,500,000. As at 31 December 2008, the paid up capital amounted to US$1,050,000. The remaining US$450,000 is required to be paid by the Group on or before 6 August 2010.

37 BANKING FACILITIES

As at 31 December 2008, the Group's total available banking facilities amounted to approximately HK$351 million (2007: HK$329 million), of which approximately HK$262 million (2007: HK$286 million) was unutilised. The facilities were secured by the following:

(a) corporate guarantees given by the Company;

(b) pledge of the Group's fixed deposits of HK$2.4 million (2007: HK$2.4 million);

(c) available-for-sale financial assets with carrying value totaling approximately HK$3.6 million (2007: HK$3.5 million); and

(d) the Group's account receivables of HK$2,075,000 (2007: HK$2,022,000).

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

38 RELATED PARTY TRANSACTIONS

The Group is controlled by Profit International Holdings Limited (incorporated in British Virgin Islands), which owns 66.8% of the Company's shares as at 31 December 2008 (2007: 67.1%). In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company. The remaining 33.2% of the shares are widely held by the public.

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

	2008	2007
	HK$'000	*HK$'000*
Sales of goods and moulds to Maruman [(i)]	**23,398**	1,765
Rental expenses paid to Profit Home Investments Limited [(ii)]	**1,200**	1,140

38 RELATED PARTY TRANSACTIONS (Continued)

(a) (continued)

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

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

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

	2008	2007
	HK$'000	*HK$'000*
Amount due from a related company *(Note 24)*	**8,218**	509

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

(c) **Key management compensation**

	2008	2007
	HK$'000	*HK$'000*
Directors' fees	**1,008**	1,008
Salaries and other short-term employee benefits	**14,316**	12,095
Share-based payments	**–**	353
Post-employment benefits	**134**	122
	15,458	13,578

(d) **Acquisition of a subsidiary**

On 27 November 2008, the Group acquired 51% equity interest in Dynamic from Mr. Lam Yin Kee, a Director of the Company. Details of the transaction are disclosed in Note 35.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2008:

	Year ended 31 December				
	2008	2007	2006	2005	2004
Results	***HK$'000***	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
					Restated
Revenue	**497,364**	575,080	592,318	316,903	292,447
(Loss)/Profit before income tax	**(9,461)**	61,892	54,586	33,945	47,149
Income tax expense	**(1,096)**	(11,163)	(9,439)	(7,010)	(8,479)
(Loss)/Profit for the year	**(10,557)**	50,729	45,147	26,935	38,670
Minority interest	**955**	(1,812)	(1,362)	–	–
(Loss)/Profit attributable to equity holders of the Company	**(9,602)**	48,917	43,785	26,935	38,670
Assets and liabilities					
Total assets	**349,210**	337,348	345,283	319,939	163,266
Total liabilities	**(175,731)**	(127,074)	(176,599)	(184,867)	(111,223)
Total equity	**173,479**	210,274	168,684	135,072	52,043

Notes:

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

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

(3) The results of the Group for each of the two years ended 31 December 2008 and 2007 and its assets and liabilities as at 31 December 2008 and 2007 are those set out on pages 37 to 39 of this report and are presented on the basis as set out in note 2 to the financial statements.