FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED

東光集團有限公司*

(Incorporated in Cayman Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock Code: 8150)

Annual Report 2008

* For identification purpose only

Characteristics of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Fast Systems Technology (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Fast Systems Technology (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and principal place of business	Unit 1311, 13th Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon.
Executive Directors	Ms. Yu Man Wai Sandy *(Chairman)* Mr. Leung Ka Kueng Gary
Independent Non-executive Directors	Mr. Wong Kwok Wai Mr. Liu Chun Ning Wilfred Mr. Tsui Siu Hung
Company Secretary/ Authorized Representative	Mr. Leung Ka Kueng Gary
Audit Committee	Mr. Wong Kwok Wai Mr. Liu Chun Ning Wilfred Mr. Tsui Siu Hung
Remuneration Committee	Mr. Wong Kwok Wai Mr. Liu Chun Ning Wilfred Mr. Tsui Siu Hung
Compliance Adviser	Partners Capital International Limited
Principal share registrar transfer office	Butterfield Fund Services (Bermuda) Ltd Rosebank Centre 11 Bermuda
Hong Kong branch share registrar and transfer office	Trico Abacus Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	NCN CPA Limited
Stock Code	8150

Dear Shareholders,

On behalf of the board of directors (the "Board") of Fast Systems Technology (Holdings) Limited (the "Company"), I am pleased to present the annual reports of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2008.

RESULTS

During the year under review, the Group recorded a revenue of approximately HK$31.0 million (2007: HK$37.7 million), representing a decrease of approximately 17.7% against the prior year. As a result of the increase in professional and relevant expenses incurred for the recent resumption of share trading of the Company, the drop of the Group's turnover and the increase in operating expenses, net loss attributable to shareholders amounted to approximately HK$7.3 million (2007: net loss HK$3.7 million). Basic loss per share for the year was HK2.44 cents (2007: HK0.62 cents).

BUSINESSES

The principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products.

Synthetic Sapphire Watch

Sales of sapphire watch crystal to the Europe decreased by 21.2% to approximately HK$20.0 million, overall sales of sapphire watch crystal in 2008 decreased by 14.3% to approximately 28.1 million as a result of the keen competition in the market and the decrease in market demand since the global economic downturn.

Optoelectronic Product

During 2008, sales from the optoelectronic products division decreased by 40.8% to approximately HK$2.9 million due to the significant drop in market demand.

PROSPECTS

As the global economic downturn brought about by the sub-prime mortgage credit crisis in the United States has badly impaired the consumers' desire of purchase and the costs of production are continually uprising, the Group believes that the operating in the Group's businesses would be challenging in the coming year.

Having taken into consideration of the current financial results of the Group as mentioned in this report, the present directors, who were appointed to the Board subsequent to the group reorganisation, endeavor to improve the group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors are currently exploring various options to enlarge the group's capital base, which include the proposal to issue new shares and to issue bonus shares in order to provide additional equity funding to the Group. In order to broaden its income stream and to diversify the risk of reliance on single industry, the Board will continue its search for other opportunities to build a portfolio of strong business with an emphasis on high value added products.

Finally, for an on behalf of the Group and the Board, I would like to express my heartfelt thanks to our shareholders and customers for their enduring support and to all my colleagues for their dedication and hard work throughout the year. Your dedication and involvement will be the most valuable asset for the growth of the company.

Yu Man Wai Sandy
Chairman

27 Mach 2009

Financial review

The turnover of the sapphire watch crystals for the year ended 31 December 2008 decreased by HK$4,667,987; cost of sales of the sapphire watch crystals during the same period decreased to HK$24,143,969 for year ended 31 December 2008 from that of HK$29,889,904 for the year ended 31 December 2007. Gross profit margin for the division increased to approximately 14.1% in the year ended 31 December 2008 from 8.8% in the year ended 31 December 2007. The increase in gross profit margin was primarily attributable to decrease in price of raw materials.

Sapphire watch crystals division

Turnover generated from European customers decreased to HK$20,078,568 for the year ended 31 December 2008, representing a decrease of approximately 21.2% from that of HK$25,494,381 generated from the year ended 31 December 2007. Sales to customers in Taiwan increased to HK$3,681,620 for the year ended 31 December 2008, representing an increase of approximately 157.1% from that of HK$1,432,014 for the year ended December 2007. Turnover from Hong Kong customers decreased to HK$1,724,080 for the year ended 31 December 2008, representing a decrease of approximately 69.7% from that of HK$5,691,341 generated for the year ended 31 December 2007. In additions, the Company developed a new market in Thailand which contributed a turnover of HK$2,626,892 for the year ended 31 December 2008.

The turnover of the sapphire watch crystals for the year 31 December 2008 decreased by HK$4,667,987; cost of sales of the sapphire watch crystals during the same period decreased to HK$24,143,969 from that of HK$29,889,904 in the year ended 31 December 2007.

Optoelectronics products division

Sales of ferrules amounted to HK$2,925,204 for the year ended 31 December 2008, representing a decrease of HK$2,017,467 or 40.8% from that of HK$4,942,671 for the year ended 31 December 2007. Cost of sales for the corresponding periods were HK$3,749,717 and HK$3,746,915 respectively.

Other income and gains

Other income and gains for the year ended 31 December 2008 amounted to HK$6,185,232, representing an increase of approximately 91.9% from that of HK$3,222,907 generated from the year ended 31 December 2007. This was mainly due to the increase in amount waived by a shareholder of HK$3,957,705.

Selling and distribution costs, administrative and other operating expenses for Continuing Operations

Selling and distribution costs for the year ended 31 December 2008 amounted to HK$1,557,489. This represents an increase of HK$79,126 from that recorded for the year ended 31 December 2007.

Total administration expenses were HK$7,521,864 for the year ended 31 December 2008 and HK$6,117,464 for the year ended 31 December 2007. Increase in administrative expenses was mainly due to the increase in staff costs and depreciation charge on fixed assets in 2008.

Other operating expenses was HK$5,526,573 (2007: HK$2,735,589), representing an increase of HK$2,790,984. The increase was attributable to the increase in legal and professional and relevant expenses incurred for the recent resumption of trading in the shares of the Company.

Financial resources and liquidity

The Group's shareholders funds were reduced to HK$716,449 as at 31 December 2008 (2007: HK$1,563,193). Current assets amounted to HK$14,493,984 as at 31 December 2008 (2007: 17,651,828), of which HK$1,884,956 (2007: HK$5,162,188) was cash and bank balances.

During the year, the Company issued convertible bonds at a nominal value of HK$4,100,000, HK$2,700,000 and HK$810,000 respectively for a term of 60 months and allotted and issued 239,000,000 new ordinary shares.

As at 31 December 2008, the Group's total borrowings amounted to HK$11,799,475 (2007: HK$18,448,143), of which HK$7,532,414 (2007: HK$10,174,081) were short-term borrowings repayable within one year.

The Group's gearing ratios as at 31 December 2008 was 96.3% (2007: 91.9%). Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables, other payable and accruals, short-term loans, convertible bonds and interest-bearing bank loan, less cash and cash equivalents, and excludes discontinued operations. Total capital represents equity attributable to equity holders of the Company.

Foreign currency risk

During the year, the Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB"), Japanese Yen ("Yen"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD"). Approximately 93% (2007: 90%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 96% (2007: 82%) of costs are denominated in currencies other than the units' functional currency.

During the years ended 31 December 2008 and 2007, the exchange rate of USD, Yen and NTD were quite stable and the exchange rate of CHF, RMB and EURO were comparatively volatile. Approximately 82% (2007: 52%) of the Group's sales are denominated in these currencies.

As at 31 December 2008 and 2007, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

As at the date of this report, the Group has no material contingent liabilities.

Capital structure

During the year, the shareholders of the Company approved the capital reorganization which involved the consolidation of every ten then existing shares of HK$0.10 each into one Consolidated Share of HK$1.00 each; the reduction of the issued share capital through canceling the paid-up capital to the extent of HK$0.999 on each of the issued Consolidated Share so that the nominal value of each issued Consolidated Share was reduced from HK$1.00 into HK$0.001; the subdivision of each authorized but unissued Consolidated Share of HK$1.00 each into 1,000 New Shares of HK$0.001 each; and the transfer of the credit arising from the Capital Reduction to the contributed surplus account.

Employees

As at 31 December 2008, the Group had 210 employees. Employees were remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits included free accommodation at the Group's staff quarters in PRC and performance bonus. Total staff costs including directors' remuneration for 2008 were HK$6,988,486 (2007: HK$6,541,438).

Material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2008.

Segmental Information

An analysis of the Group's performance for the year by principal activities and geographical segments is set out in note 6 to the financial statements and further elaborated under "Financial Review" of this section.

Corporate governance

Adapting and adhering to recognized standards of corporate governance principles and practices have always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that leads to success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has complied throughout the period under review with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules.

Directors' securities transaction

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have compiled with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year 31 December 2008.

Remuneration of directors

Remuneration committee, comprises three independent non-executive directors, namely Mr. Wong Kwok Wai, Mr. Liu Chun Ning Wilfred and Mr. Tsui Siu Hung, has been established to make recommendation to the Board on the Company's policy and structure for all remuneration of Directors. Mr. Wong Kwok Wai is the Chairman of the remuneration committee. The remuneration and benefits for the six executive directors amounted to approximately HK$858,226 in 2008.

For the year ended 31 December 2008, the Remuneration Committee held one meeting during which duties, roles and performance of the Executive Directors were reviewed. The Committee also made recommendation to the Board on the remuneration to the Directors.

The attendance records of individual Committee members at Remuneration Committee meeting held during the year are set out below:

Yeung Mo Sheung Ann	0/0
Ha Tak Kong	0/0
Wong Kwok Wai *(Chairman)*	1/1
Ip Ka Yiu	0/0
Liu Chun Ning	1/1
Tsui Siu Hung	1/1

Board of directors

The Board of the Company (the "Board") currently comprises five Directors, of which two are executive directors and three are independent non-executive directors. The Board collectively oversees the management and operation of the Group and will meet regularly during the year to discuss the operation strategy and financial performance of the Group.

During the year 2008 and there after up to the date hereof, the Directors are as follows:

Executive Directors

Liao Lien Shen (resigned on 19 August 2008)
Liao Ko Ping (resigned on 19 August 2008)
Ng Ming Wah (appointed on 25 February 2008 and resigned on 2 October 2008)
Fong Chi Ho (appointed on 25 February 2008 and resigned on 25 September 2008)
Ou Kuei Mei (appointed on 19 August 2008 and resigned on 2 October 2008)
Yu Man Wai Sandy *(Chairman)* (appointed on 2 October 2008)
Leung Ka Kueng Gary (appointed on 2 October 2008)

Independent Non-executive Directors

Yeung Mo Sheung Ann (resigned on 2 October 2008)
Ha Tak Kong (resigned on 2 October 2008)
Lau Siu Hung Ricky (resigned on 2 October 2008)
Wong Kwok Wai (appointed on 2 October 2008)
Ip Ka Yiu (appointed on 2 October 2008 and resigned on 1 December 2008)
Liu Chun Ning (appointed on 2 October 2008)
Tsui Siu Hung (appointed on 1 December 2008)

All the independent non-executive directors have been appointed with no fixed terms of services but shall hold the offices until the next annual meeting of the Company and shall then be eligible for re-election in accordance with the bye-laws of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of their independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

The Board has four scheduled meetings at quarterly interval and meets as and when required. During the year ended 31 December 2008, the Board held 22 meetings.

The attendance of the Directors at the meetings held during the year ended 31 December 2008 is as follows:

Directors	Number of attendance
Liao Lien Shen (resigned on 19 August 2008)	15/16
Liao Ko Ping (resigned on 19 August 2008)	15/16
Ng Ming Wah (appointed on 25 February 2008 and resigned on 2 October 2008)	6/18
Fong Chi Ho (appointed on 25 February 2008 and resigned on 25 September 2008)	10/18
Ou Kuei Mei (appointed on 19 August 2008 and resigned on 2 October 2008)	0/1
Yu Man Wai Sandy *(Chairman)* (appointed on 2 October 2008)	6/6
Leung Ka Kueng Gary (appointed on 2 October 2008)	6/6
Yeung Mo Sheung Ann (resigned on 2 October 2008)	8/16
Ha Tak Kong (resigned on 2 October 2008)	11/16
Lau Siu Hung Ricky (resigned on 2 October 2008)	8/16
Wong Kwok Wai (appointed on 2 October 2008)	4/6
Ip Ka Yiu (appointed on 2 October 2008 and resigned on 1 December 2008)	1/1
Liu Chun Ning (appointed on 2 October 2008)	2/6
Tsui Siu Hung (appointed on 1 December 2008)	1/1

Audit Committee

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

Three independent non-executive directors, namely Ms. Yeung Mo Sheung Ann, Mr. Ha Tak Kong and Mr. Lau Siu Hung Ricky resigned on 2 October 2008. A new audit committee was formed upon appointment of three new independent non-executive directors on 2 October 2008, namely Mr. Wong Kwok Wai, Mr. Liu Chun Ning Wilfred and Mr. Ip Ka Yiu (subsequently resigned on 1 December 2008) and Mr. Tsui Siu Hung appointed on 1 December 2008). The chairman of the audit committee is Mr. Wong Kwok Wai.

The Company's financial statements for the year ended 31 December 2008 have been reviewed by the new audit committee. The new audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the year ended 31 December 2008, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly and quarterly reports.

The attendance of the Directors at the meetings is as follows:

Directors	Number of attendance
Yeung Mo Sheung Ann (resigned on 2 October 2008)	2/2
Ha Tak Kong (resigned on 2 October 2008)	2/2
Lau Siu Hung Ricky (resigned on 2 October 2008)	2/2
Wong Kwok Wai (appointed on 2 October 2008)	2/2
Ip Ka Yiu (appointed on 2 October 2008 and resigned on 1 December 2008)	1/1
Liu Chun Ning (appointed on 2 October 2008)	2/2
Tsui Siu Hung (appointed on 1 December 2008)	2/2

Auditors' remuneration

During the year, the remuneration paid/payable to the auditors of the Company is as follows:

	Fee paid/payable HK$'000
Cachet Certified Public Accountants Limited	
– Non-audit services	693
NCN CPA Limited	
– Annual audit	430

Chairman and chief executive officer

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Report of the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Ms. Yu Man Wai Sandy is the chairman of the Board and Mr. Leung Ka Kueng Gary is the executive Director of the Company. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The executive Director is responsible for the Group's business development and management.

Respective responsibilities of directors and auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The Auditors are responsible to form an independent opinion based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Internal controls

The Board has overall responsibilities for the Group's system of internal control and for reviewing its effectiveness.

The Company has appointed SHINEWING Risk Services Limited ("SHINEWING") to evaluate the overall internal control system and to review the corporate governance measures of the Group. The Company has implemented a series of remedial measures based on the findings and recommendations of SHINEWING.

During the year, after implementing the remedial measures based on the findings and recommendations of SHINEWING, the Company has conducted reviews on the effectiveness of the internal control system as required by the Code Provisions. The Audit Committee has also reviewed with members of the management the scope, progress and results of the internal control review plan and considered that the Group's internal control system is effective and adequate..

The Directors submit their report together with the audited financial statements for the year ended 31 December 2008.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

An analysis of the Group's principal activities for the year under review and geographical segments is set out in note 6 to the financial statements.

Results

Details of the audited results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 21.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 24 and note 32 to the financial statements respectively.

Property, plant and equipment

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

Distributable reserves

As at 31 December 2008, no amount of reserves was available for distribution to the equity shareholders of the Company. (2007: Nil).

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2008 are set out in note 19 to the financial statements.

Pre-emptive rights

No pre-emptive rights exists under the Company's articles of association or under the laws in the Bermuda.

Group financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 84.

REPORT OF THE DIRECTORS

Directors

Executive Directors

Ms. Yu Man Wai Sandy, aged 33, is chairman of the Company. Ms. Yu holds a master degree in business administration from Hong Kong Baptist University. Ms. Yu has significant experience in financial investment industry and corporate administration aspect.

Mr. Leung Ka Kueng Gary, aged 38, is an executive director of the Company. Mr. Leung holds a bachelor degree in accountancy from The Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Leung has extensive experience in auditing and accounting areas.

Independent Non-executive Directors

Mr. Wong Kwok Wai, aged 35 is an independent non-executive director and chairman of audit and remuneration committees of the Company. Mr. Wong holds a bachelor degree in science from Macquarie University of Australia. Mr. Wong has more than 10 years of experience in corporate administration aspect.

Mr. Liu Chun Ning Wilfred, aged 47, is an independent non-executive director and member of audit and remuneration committees of the Company. Mr. Liu holds a bachelor degree in Arts (Economics) from University of Newcastle Upon Type of the United Kingdom. He is an executive director of Chong Hing Bank Limited (stock code: 1111), an independent non-executive director of S.A.S. Dragon Holdings Limited (stock code: 1184) and Get Nice Holdings Limited (stock code: 64) and a non-executive director of Liu Chong Hing Investment Limited (stock code: 194), companies the issued shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Tsui Siu Hung, aged 32, is an independent non-executive director and member of audit and remuneration committees of the Company. Mr. Tsui has over 8 years of experience in finance, consulting, accounting and auditing. He is an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants. Mr. Tsui holds a bachelor degree in business administration in accounting.

Directors service contracts

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 one year without payment of compensation, other than statutory compensation.

Public float

From information publicly available to the Company and within the knowledge of the Directors, at least 20% of the Company's total issued share capital are held by the public at all times during the years.

Directors interests in contracts

No contracts of significance in relation to the Group's business to which the Company was a party and in which any of the Directors or members of its management had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

Connected transactions

During the year under review, the Group entered into certain connected transactions, which also constitute related party transactions and are set out in notes 26 and 33 to the financial statements.

Outstanding share options

Details of the Company's share option scheme and the movement in outstanding share options are set out in Note 31 to the consolidated financial statements.

Directors' and chief executive's interests in securities

As at 31 December 2008, none of the directors and chief executive of the Company has any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Directors' right to acquire shares

Save as disclosed under the paragraph headed "Directors' and chief executive's interests in securities" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholder's interests in securities

As at 31 December 2008, so far as the Directors are aware the persons who have an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity	Number of shares	Underlying shares *(Note 5)*	Percentage of issued share
Good Capital Resources Limited *(Note 1)*	Corporate	210,000,000	410,000,000	207.36%
Ma Chung Wo Cameron *(Note 1)*	Beneficial owner	210,000,000	410,000,000	207.36%
Ou Kuei Mei *(Note 1)*	Beneficial owner	52,500,000	102,500,000	51.84%
Charmway Global Invest Limited *(Note 2)*	Corporate	–	270,000,000	90.30%
Leung Heung Ying, Alvin *(Note 2)*	Beneficial owner	–	270,000,000	90.30%
Chong Wai Moon Joe *(Note 3)*	Beneficial owner	18,100,000	81,000,000	33.00%
Wealth China & HK Growth Fund *(Note 3)*	Corporate	18,100,000	81,000,000	33.00%

Notes:

1. Good Capital Resources Limited, a company incorporated in the British Virgin Islands which is beneficially owned as to 75% and 25% by Dr. Ma Chung Wo, Cameron and Ms. Ou Kuei Mei respectively.

2. Charmway Global Invest Limited, a company incorporated in the British Virgin Island which is wholly owned and beneficially owned by Mr. Leung Heung Ying, Alvin.

3. Mr. Chong Wai Moon Joe is the director and controlling shareholder of Wealth China & HK Growth Fund.

4. The number of shares has been adjusted as result of the consolidation of every ten issued and unissued existing shares into one consolidated share took place on 15 August 2008.

5. On 5 June 2008, the Company, as the issuer of the Convertible Bonds, entered into the CB Subscription Agreements with each of Good Capital Resources Limited, Charmway Global Invest Limited and Wealth China & HK Growth Fund whereby the Company conditionally agreed to issue and Good Capital Resources Limited, Charmway Global Invest Limited and Wealth China & HK Growth Fund conditionally agreed to subscribe for the Convertible Bonds in the principal amounts of HK$4,100,000, HK$2,700,000 and HK$810,000 respectively. All the conditions of the CB Subscription Agreements have been fulfilled, the CB Subscription was completed on 18 August 2008. Details of the CB were disclosed in the circular of the Company dated 22 July 2008.

So far as is known to any director or supervisor, there is no person other than a Director or supervisor or chief executive who, as at 31 December 2008, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

Management Shareholders' Interests in Securities

Other than the interests disclosed above in respect of the substantial shareholders, the directors and chief executive of the Company and their associates (as defined in the GEM Listing Rules), as at 31 December 2008, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

Purchase, sale, redemption or cancellation of shares by the Company and/or subsidiaries

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's share during the year ended 31 December 2008.

Major customers and supplier

The percentage of sales for the year generated from the Group's major customers are is as follows:

– The largest customer	26.78%
– Five largest customers	65.07%

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

– The largest supplier	24.33%
– Five largest suppliers	50.17%

None of the directors, their associates or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and suppliers for the year ended 31 December 2008.

Competing interests

During the year ended 31 December 2008, none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

Compliance adviser

As updated and notified by the Company's compliance adviser, Partners Capital International Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 December 2008 and as at the date of this report.

Pursuant to an agreement dated 27 March 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period starting on March 2009 and end on the date on which the Company publishes its financial results for the full financial year ending 31 December 2009 or until the agreement is terminated in accordance with the terms and conditions set out therein.

Dividend and Bonus Issue of Shares

The board date not recommend the payment of final dividend for the year 2008 (2007: Nil).

The Directors of the Board will propose a bonus issue of shares to the shareholders of the Company, on the basis of three bonus shares of HK$0.001 each for every 1 share held by the shareholders.

Auditors

Cachet Certified Public Accountants Limited ("Cachet") has acted as the auditors of the Company for the years ended 31 December 2006 and 31 December 2007. On 31 December 2008, Cachet resigned as auditors of the Company and NCN CPA Limited was appointed as the new auditors on 7 January 2009 to fill the casual vacancy.

NCN CPA Limited shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of NCN CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Ms. Yu Man Wai Sandy
Chairman

Hong Kong, 27 March 2009

TO THE SHAREHOLDERS OF
FAST SYSTEMS TECHNOLOGY (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2008)

We have audited the financial statements of Fast Systems Technology (Holdings) Limited set out on pages 21 to 83, 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the financial statements regarding the going concern of the Group and the steps being taken by the directors to improve the position. As stated in note 3 to the financial statements, the Group had net current liabilities of HK$3,717,205 as at 31 December 2008. The Group had undergone a Capital Reorganisation and restructuring exercise in August 2008. The present directors, who were appointed to the Board subsequent to the group reorganisation, endeavor to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors are currently exploring various options to enlarge the Group's capital base, which include the proposal to issue new shares and to issue bonus shares in order to provide additional equity funding to the Group. In addition, lender of short-term loans has agreed not to demand repayment of the amounts due until the Group is in a position to do so. The directors are in the opinion that future funding will be available and the lender will continue its financial support. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the continue financial support given by the lender of short-term loans. The financial statements do not include any adjustments that would result from the failure by the Group to obtain such future funding or financial support. Should the Group be unable to continue in business as a going concern, adjustments would have to be made which may have a consequential adjustment effect on the financial position of the Group as at 31 December 2008 and the Group's results for the year then ended. We consider that the fundamental uncertainty has been properly disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the loss and cash flows of the Group 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.

NCN CPA LIMITED
Certified Public Accountants
Choi Man Chau, Michael
Practising Certificate Number P01188

20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road,
Central, Hong Kong,
Hong Kong S.A.R., China

27 March 2009

CONSOLIDATED INCOME STATEMENT

As at 31 December 2008

	Note	2008 HK$	2007 HK$
Turnover	7	**31,036,364**	37,721,818
Cost of sales		**(27,893,686)**	(33,636,819)
Gross profit		**3,142,678**	4,084,999
Other income and gain	7	**6,185,232**	3,222,907
Selling and distribution costs		**(1,557,489)**	(1,478,363)
Administrative expenses		**(7,521,864)**	(6,117,464)
Other expenses		**(5,526,573)**	(2,735,589)
Loss from operations	8	**(5,278,016)**	(3,023,510)
Finance costs	9	**(959,328)**	(526,877)
LOSS BEFORE TAX		**(6,237,344)**	(3,550,387)
Income tax expense	12	**(1,046,588)**	(198,032)
LOSS FOR THE YEAR		**(7,283,932)**	(3,748,419)
Loss attributable to equity holders of the Company	13	**(7,283,932)**	(3,748,419)
Dividends	14	**NIL**	NIL
Loss per share attributable to ordinary equity holders of the company			
Basic	15	**(2.44 cents)**	(0.62 cents)
Diluted	15	**N/A**	N/A

All of the Company's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	*16*	**8,143,287**	11,679,924
Assets under construction	*17*	**–**	–
Prepaid land lease payments	*18*	**557,428**	544,721
		8,700,715	12,224,645
Current assets			
Marketable securities	*20*	**2,514,000**	–
Inventories	*21*	**4,788,478**	2,822,078
Trade receivables	*22*	**4,209,292**	4,900,169
Prepayments, deposits and other receivables	*23*	**1,097,258**	320,061
Tax recoverable		**–**	742,932
Pledged deposits	*24*	**–**	3,704,400
Cash and bank balances	*24*	**1,884,956**	5,162,188
		14,493,984	17,651,828
Current liabilities			
Trade payables	*25*	**4,899,509**	4,846,628
Other payables and accruals		**3,667,991**	3,229,208
Tax payable		**2,111,275**	1,789,301
Short-term loans	*26*	**7,532,414**	–
Interest-bearing bank borrowings – secured	*27*	**–**	10,174,081
		18,211,189	20,039,218
Net current liabilities		**(3,717,205)**	(2,387,390)
Total assets less current liabilities		**4,983,510**	9,837,255
Non-current liabilities			
Loans from a related company	*26*	**–**	(8,274,062)
Convertible bonds	*28*	**(4,267,061)**	–
		(4,267,061)	(8,274,062)
NET ASSETS		**716,449**	1,563,193
CAPITAL AND RESERVES			
Share capital	*30*	**299,000**	60,000,000
Reserves	*32*	**417,449**	(58,436,807)
TOTAL EQUITY		**716,449**	1,563,193

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2009 and signed on behalf of the Board by:

Yu Man Wai, Sandy
Director

Leung Ka Kueng, Gary
Director

BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	*16*	**174,202**	–
Interests in subsidiaries	*19*	**3,266,000**	66,000
		3,440,202	66,000
Current assets			
Marketable securities	*20*	**2,514,000**	–
Prepayments, deposits and other receivables		**518,771**	–
Tax recoverable		**–**	52,826
Cash and bank balances	*24*	**582,412**	10,967
		3,615,183	63,793
Current liabilities			
Other payables and accruals		**2,100,978**	122,250
Due to a subsidiary	*19*	**–**	646,306
		2,100,978	768,556
Net current assets/(liabilities)		**1,514,205**	(704,763)
Total assets less current liabilities		**4,854,407**	(638,763)
Non-current liabilities			
Convertible bonds	*28*	**(4,267,061)**	–
NET ASSETS/(LIABILITIES)		**687,346**	(638,763)
CAPITAL AND RESERVES			
Share capital	*30*	**299,000**	60,000,000
Reserves	*32*	**388,346**	(60,638,763)
TOTAL EQUITY/(DEFICIT)		**687,346**	(638,763)

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2009 and signed on behalf of the Board by:

Yu Man Wai, Sandy
Director

Leung Ka Kueng, Gary
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital	Share premium reserve	Exchange reserve	Contributed surplus	Convertible bonds reserve	Accumulated losses	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
As at 1 January 2007	60,000,000	1,796,747	1,344,783	14,607,973	–	(73,702,411)	4,047,092
Loss for the year	–	–	–	–	–	(3,748,419)	(3,748,419)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	1,264,520	–	–	–	1,264,520
As at 31 December 2007 and at 1 January 2008	60,000,000	1,796,747	2,609,303	14,607,973	–	(77,450,830)	1,563,193
Reduction of share capital	(59,940,000)	–	–	59,940,000	–	–	–
Issue of shares	239,000	2,151,000	–	–	–	–	2,390,000
Issue of convertible bonds	–	–	–	–	3,558,910	–	3,558,910
Transfer	–	–	–	(74,547,973)	–	74,547,973	–
Loss for the year	–	–	–	–	–	(7,283,932)	(7,283,932)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	–	488,278	–	–	–	488,278
As at 31 December 2008	299,000	3,947,747	3,097,581	–	3,558,910	(10,186,789)	716,449

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK$	2007 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax expense	**(6,237,344)**	(3,550,387)
Adjustments for:		
Depreciation of property, plant and equipment	**3,915,538**	2,626,918
Amortisation of prepaid land lease payments	**15,349**	14,739
Impairment on inventories	**942,772**	–
Write-back of impairment of trade receivables	**–**	(372,494)
Write-back of other payables and accruals	**(1,207,829)**	(2,784,950)
Amount waived by a shareholder	**(3,957,705)**	–
Finance costs	**959,328**	526,877
Interest income	**(158,271)**	(10,115)
Gain on fair value change on marketable securities	**(105,247)**	–
Operating loss before changes in working capital	**(5,833,409)**	(3,549,412)
Increase in marketable securities	**(2,408,753)**	–
(Increase)/decrease in inventories	**(2,909,172)**	6,429
Decrease/(increase) in trade receivables	**690,877**	(683,281)
(Increase)/decrease in prepayments, deposits and other receivables	**(777,197)**	38,425
Increase in trade payables	**52,881**	673,915
Increase/(decrease) in other payables and accruals	**1,666,951**	(1,050,981)
	(9,517,822)	(4,564,905)
Interest paid	**(743,357)**	(526,877)
Hong Kong profits tax refunded	**60,651**	–
Hong Kong profits tax paid	**–**	(91,570)
Overseas taxes paid	**(86,566)**	(17,486)
NET CASH USED IN OPERATING ACTIVITIES	**(10,287,094)**	(5,200,838)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**158,271**	10,115
Proceeds from sale of property, plant and equipment	**(299,131)**	(364,232)
Additions of assets under construction	**(2,254)**	(60,691)
Decrease/(increase) in pledged deposit	**3,704,400**	(3,651,850)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**3,561,286**	(4,066,658)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK$	2007 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	**2,390,000**	–
Issue of convertible bonds	**7,610,000**	–
Increase in loan from a related company	**3,216,057**	7,075,391
New bank loans	**–**	10,174,081
Repayment of bank loans	**(10,174,081)**	(6,000,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**3,041,976**	11,249,472
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(3,683,832)**	1,981,976
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**5,162,188**	2,875,461
EFFECT OF FOREIGN EXCHANGES, NET	**406,600**	304,751
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,884,956**	5,162,188
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,884,956**	5,162,188

1. Corporate Information

Fast Systems Technology (Holdings) Limited was a limited liability company incorporated in the Cayman Islands on 18 January 2001 as an exempted company. The shares of the Company have been listed on the GEM since 10 August 2001. Pursuant to the special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are disclosed in the corporate information section of the annual report.

The trading of the Company's shares on GEM has been suspended since 3 April 2006 and the trading was resumed since 19 August 2008. Details of the resumption of trading of the Company's shares are set out in the announcement dated 18 August 2008.

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

The Company is an investment holding company. The Group's principal activities have not changed during the year and were involved in manufacture and sale of synthetic sapphire watch crystals and optoelectronic products.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]

1 *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

2 *Effective for annual periods beginning on or after 1 January 2009*

3 *Effective for annual periods beginning on or after 1 July 2009*

4 *Effective for annual periods beginning on or after 1 July 2008*

5 *Effective for annual periods beginning on or after 1 October 2008*

The applications of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for leasehold buildings and convertible bonds, which have been measured at revalued amount or fair value.

Going concern

The financial statements have been prepared on the basis that the Group will continue to operate as a going concern despite the fact that the Group had net current liabilities of HK$3,717,205 as at 31 December 2008. The Group had undergone a Capital Reorganisation and restructuring exercise in August 2008, details of which are set out in the circular dated 22 July 2008. The present directors, who were appointed to board of directors of the Company (the "Board") subsequent to the group reorganisation, endeavor to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors are currently exploring various options to enlarge the Group's capital base, which include the proposal to issue new shares and to issue bonus shares in order to provide additional equity funding to the Group. In addition, lender of short-term loans has agreed not to demand repayment of the amounts due until the Group is in a position to do so. The directors are in the opinion that future funding will be available and the lender will continue its financial support.

4. Significant Accounting Policies

(a) Basis of Consolidation

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

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

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

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

4. Significant Accounting Policies *(continued)*

(b) Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. Significant Accounting Policies *(continued)*

(c) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. Significant Accounting Policies *(continued)*

(d) Property, plant and equipment and depreciation

Property, plant and equipment, other than buildings and assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Buildings are stated in the balance sheet at their valuated amount. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	Over the shorter of lease terms or 20 years
Leasehold improvements	25%
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

4. Significant Accounting Policies *(continued)*

(d) Property, plant and equipment and depreciation *(continued)*

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(e) Assets under construction

Assets under construction represent a factory building under construction and plant, machinery and equipment pending installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Asset under construction is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(f) Prepared land lease payments

All land in the People's Republic of China is stated-owned or collectively-owned and no individual land ownership rights exist. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepaid land lease payments under operating leases and are stated at cost and subsequently amortised on the straight line basis over the period of the rights.

(g) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

4. Significant Accounting Policies *(continued)*

(h) Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

4. Significant Accounting Policies *(continued)*

(h) Investments and other financial assets *(continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity.

(iv) Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

4. Significant Accounting Policies *(continued)*

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

4. Significant Accounting Policies *(continued)*

(i) Impairment of financial assets *(continued)*

(ii) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

(j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. Significant Accounting Policies *(continued)*

(k) Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(l) Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including other payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

4. Significant Accounting Policies *(continued)*

(l) Financial liabilities at amortised cost (including interest-bearing loans and borrowings) *(continued)*

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

(m) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(o) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. Significant Accounting Policies *(continued)*

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(q) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. Significant Accounting Policies *(continued)*

(r) Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. Significant Accounting Policies *(continued)*

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

ii. securities trading profit or losses, on a trade date basis; and

iii. interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(t) Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

4. Significant Accounting Policies *(continued)*

(t) Employee benefits *(continued)*

Share-based payment transactions *(continued)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

4. Significant Accounting Policies *(continued)*

(u) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company, i.e. Hong Kong dollars, at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. Significant Accounting Policies *(continued)*

(v) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical and commercial feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over its estimated useful lives to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Company has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

5. Significant accounting judgments and estimates

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(b) Estimation uncertainty

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

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Significant accounting judgments and estimates *(continued)*

(b) Estimation uncertainty *(continued)*

(ii) Income taxes

The Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

6. Segment information

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

The Group's operating businesses are structured and managed separately according to the nature of their operation and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) The Synthetic sapphire Watch Crystals segment is a supplier of watch crystals mainly for use in the manufacture of watch products;

(b) The Optoelectronic products segment is a supplier of optoelectronic products for use in internet cable.

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

There are no sales or other transactions among business or geographical segments.

6. Segment information *(continued)*

(a) Business segments

The following tables present revenue, results, expenditure and certain assets and liabilities information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	Synthetic sapphire watch crystals HK$	Optoelectronic products HK$	Consolidated HK$
Segment revenue	28,111,160	2,925,204	31,036,364
Segment results	(6,317,720)	(1,748,805)	(8,066,525)
Interest and other income			6,185,232
Unallocated expenses			(3,396,723)
Loss from operations			(5,278,016)
Finance costs			(959,328)
Loss before tax			(6,237,344)
Taxation			(1,046,588)
Loss for the year			(7,283,932)
Segment assets	17,376,769	2,028,437	19,405,206
Unallocated assets			3,789,493
Total assets			23,194,699
Segment liabilities	15,208,500	571,992	15,780,492
Unallocated liabilities			6,697,758
Total liabilities			22,478,250
Capital expenditure	69,115	–	
Depreciation and amortisation	3,508,987	363,832	

6. Segment information *(continued)*

(a) Business segments *(continued)*

Year ended 31 December 2007	Synthetic sapphire watch crystals HK$	Optoelectronic products HK$	Consolidated HK$
Segment revenue	32,779,147	4,942,671	37,721,818
Segment results	2,219,378	(3,302,111)	(1,082,733)
Interest and other income			197,028
Unallocated expenses			(2,137,805)
Loss from operations			(3,023,510)
Finance costs			(526,877)
Loss before tax			(3,550,387)
Taxation			(198,032)
Loss for the year			(3,748,419)
Segment assets	26,871,836	2,940,736	29,812,572
Unallocated assets			63,901
Total assets			29,876,473
Segment liabilities	18,410,195	1,177,054	19,587,249
Unallocated liabilities			8,726,031
Total liabilities			28,313,280
Capital expenditure	364,232	–	
Depreciation and amortisation	2,516,772	124,885	

6. Segment information *(continued)*

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	**Europe HK$**	**Hong Kong HK$**	**Thailand HK$**	**Taiwan HK$**	**Japan HK$**	**The PRC HK$**	**Consolidated HK$**
Segment revenue:							
Sales to external customers	**20,078,568**	**1,724,080**	**2,626,892**	**3,681,620**	**–**	**2,925,204**	**31,036,364**
Other segment information:							
Segment assets	**2,668,930**	**5,418,200**	**–**	**885,472**	**5,809**	**14,216,288**	
Capital expenditure	**–**	**232,270**	**–**	**–**	**–**	**69,115**	

Year ended 31 December 2007	Europe HK$	Hong Kong HK$	Thailand HK$	Taiwan HK$	Japan HK$	The PRC HK$	Consolidated HK$
Segment revenue:							
Sales to external customers	25,494,381	5,691,341	–	1,432,014	–	5,104,082	37,721,818
Other segment information:							
Segment assets	2,605,956	5,937,689	–	71,679	–	21,261,149	
Capital expenditure	–	20,354	–	–	–	343,878	

7. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and business tax during the year.

An analysis of revenue, other income and gains is as follows:

	2008	2007
	HK$	HK$
Revenue		
Sale of goods	**31,036,364**	37,721,818
Other income and gains		
Write-back of other payables and accruals	**1,207,829**	2,784,950
Write-back of impairment of trade receivables	**–**	372,494
Amount waived by a shareholder	**3,957,705**	–
Bank interest income	**158,271**	10,115
Gain on change in fair value of marketable securities	**105,247**	–
Gain on trading of marketable securities	**545,199**	–
Others	**210,981**	55,348
	6,185,232	3,222,907
Total revenues, other income and gains	**37,221,596**	40,944,725

8. Loss from operations

The Group's loss from operations is arrived at after charging/(crediting):

	2008 HK$	2007 HK$
Cost of sales	**27,893,686**	33,636,819
Amortisation of prepaid land lease payments	**15,349**	14,739
Depreciation of property, plant and equipment	**3,915,538**	2,626,918
Write-back of other payables and accruals	**(1,207,829)**	(2,784,950)
Write-back of impairment of trade receivables	**–**	(372,494)
Amount waived by a shareholder	**(3,957,705)**	–
Net exchange losses	**331,938**	245,888
Research and development cost (included in cost of sales, excluding staff costs)	**–**	226,678
Minimum lease payment under operating leases		
– Land and buildings	**265,703**	135,660
Auditors' remuneration		
– Annual audit	**430,000**	470,000
– Interim audit	**–**	280,000
– Non-audit services rendered	**–**	50,000
	430,000	800,000
Staff costs (including directors' remuneration *(note 10)*): #		
Wages and salaries	**6,926,712**	6,505,755
Pension scheme contributions	**61,774**	35,683
	6,988,486	6,541,438

Of the total staff costs, HK$1,083,540 (2007: HK$985,150) was attributed to research and development activities of the Group.

9. Finance costs

	2008 HK$	2007 HK$
Interest on:		
Bank loans wholly repayable within five year	**719,341**	450,064
Loan from a related company	**–**	76,813
Convertible bonds	**215,971**	–
Other interest	**24,016**	–
	959,328	526,877

10. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing rules and section 161 of the Hong Kong Companies Ordinance, is as follows:

	2008 HK$	2007 HK$
Fees	**–**	371,441
Other emoluments:		
Salaries, allowances and benefits in kind	**1,178,032**	606,274
Pension scheme contributions	**6,000**	12,000
	1,184,032	618,274
	1,184,032	989,715

10. Directors' remuneration *(continued)*

(a) Executive directors

	Salaries, allowances and benefits in kind HK$	Performance related bonus HK$	Employee share option benefits HK$	Pension scheme contributions HK$	Total remuneration HK$
Year ended 31 December 2008					
Executive directors:					
Mr. Liao Lien Shen *(note b)*	**174,400**	**–**	**–**	**–**	**174,400**
Mr. Liao Ko Ping *(note b)*	**224,866**	**–**	**–**	**6,000**	**230,866**
Mr. Liao Chin Te *(note a)*	**–**	**–**	**–**	**–**	**–**
Mr. Ng Ming Wah *(note e and d)*	**144,147**	**–**	**–**	**–**	**144,147**
Mr. Fong Chi Ho *(note e and c)*	**69,429**	**–**	**–**	**–**	**69,429**
Ms. Ou Kuei Mei *(note f and d)*	**–**	**–**	**–**	**–**	**–**
Mr. Leung Ka Kueng, Gary *(note g)*	**105,000**	**–**	**–**	**–**	**105,000**
Ms. Yu Man Wai, Sandy *(note g)*	**134,384**	**–**	**–**	**–**	**134,384**
	852,226	**–**	**–**	**6,000**	**858,226**
Year ended 31 December 2007					
Executive directors:					
Mr. Liao Lien Shen *(note b)*	261,600	–	–	–	261,600
Mr. Liao Ko Ping *(note b)*	344,674	–	–	12,000	356,674
Mr. Liao Chin Te *(note a)*	–	–	–	–	–
Mr. Ng Ming Wah *(note e and d)*	–	–	–	–	–
Mr. Fong Chi Ho *(note e and c)*	–	–	–	–	–
	606,274	–	–	12,000	618,274

Note (a): Resigned on 18 September 2007
Note (b): Resigned on 19 August 2008
Note (c): Resigned on 25 September 2008
Note (d): Resigned on 2 October 2008
Note (e): Appointed on 25 February 2008
Note (f): Appointed on 19 August 2008
Note (g): Appointed on 2 October 2008

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2007: Nil).

10. Directors' remuneration *(continued)*

(b) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Salaries, allowances and benefits in kind HK$	Performance related bonus HK$	Employee share option benefits HK$	Pension scheme contributions HK$	Total remuneration HK$
Year ended 31 December 2008					
Independent non-executive directors:					
Ms. Sun His Chen *(note a)*	**–**	**–**	**–**	**–**	**–**
Mr. Chin Chang Ming *(note b)*	**–**	**–**	**–**	**–**	**–**
Mr. Lam Ngai Ming *(note c)*	**–**	**–**	**–**	**–**	**–**
Ms. Yeung Mo Sheung, Ann *(note d)*	**100,645**	**–**	**–**	**–**	**100,645**
Mr. Ha Tak Kong *(note d)*	**100,645**	**–**	**–**	**–**	**100,645**
Mr. Lau Siu Hung, Ricky *(note d)*	**80,516**	**–**	**–**	**–**	**80,516**
Mr. Ip Ka Yiu *(note f and e)*	**20,000**	**–**	**–**	**–**	**20,000**
Mr. Liu Chun Ning, Wilfred *(note f)*	**–**	**–**	**–**	**–**	**–**
Mr. Wong Kwok Wai *(note f)*	**24,000**	**–**	**–**	**–**	**24,000**
Mr. Tsui Siu Hung *(note g)*	**–**	**–**	**–**	**–**	**–**
	325,806	**–**	**–**	**–**	**325,806**
Year ended 31 December 2007					
Independent non-executive directors:					
Ms. Sun His Chen *(note a)*	80,000	–	–	–	80,000
Mr. Chin Chang Ming *(note b)*	78,000	–	–	–	78,000
Mr. Lam Ngai Ming *(note c)*	125,000	–	–	–	125,000
Ms. Yeung Mo Sheung, Ann *(note d)*	37,333	–	–	–	37,333
Mr. Ha Tak Kong *(note d)*	34,334	–	–	–	34,334
Mr. Lau Siu Hung, Ricky *(note d)*	16,774	–	–	–	16,774
	371,441	–	–	–	371,441

Note (a): Resigned on 11 September 2007

Note (b): Resigned on 18 September 2007

Note (c): Resigned on 29 October 2007

Note (d): Resigned on 2 October 2008

Note (e): Resigned on 1 December 2008

Note (f): Appointed on 2 October 2008

Note (g): Appointed on 1 December 2008

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

11. Five highest paid employees

The five highest paid employees during the year included five (2007: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employees for the year (2008: nil and 2007: 3) are as follows:

	2008 **HK$**	2007 HK$
Salaries, allowances and benefits in kind	**–**	1,207,474
Pension scheme contributions	**–**	32,610
	–	1,240,084

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2008 **HK$**	2007 HK$
Nil to HK$1,000,000	**–**	3

12. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	2008 **HK$**	2007 HK$
Group:		
Current tax:		
Hong Kong profits tax in respect of		
(over)/under-provision in previous years	**(7,825)**	118,539
Charge for the year	**961,492**	–
Other regions in the PRC	**92,921**	79,493
	1,046,588	198,032
Deferred tax *(Note 29)*	**–**	–
Tax charge	**1,046,588**	198,032

12. Income tax expense *(continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2008		2007	
	HK$	**%**	HK$	%
Loss before tax	**(6,237,344)**		(3,550,387)	
Tax at the average tax rate of 16.5% (2007: 17.5%)	**(1,062,262)**	**17.0**	(656,030)	18.5
Income not taxable	**(1,556,864)**	**25.0**	(860,141)	24.2
Expenses not deductible for tax	**1,079,399**	**17.3**	327,801	(9.2)
(Over)/under-provision in previous years	**(7,825)**	**0.1**	118,539	(3.3)
Tax losses utilized from previous periods	**(18,610)**	**0.3**	(928,796)	26.2
Tax benefit not recognized	**2,612,750**	**(41.9)**	2,196,659	(61.9)
Tax charge	**1,046,588**	**(16.8)**	198,032	(5.5)

The average tax rates for each of the years represent the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of loss before taxation and the relevant statutory rates.

13. Loss attributable to equity holders of the Company

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$4,622,801 *(note 32)* (2007: HK$6,647,529) which has been dealt with in the financial statements of the Company.

14. Dividends

The directors do not recommend the payment of any dividends for the year ended 31 December 2008 (2007: Nil).

15. Loss per share attributable to ordinary equity holders of the Company

The basic loss per share is calculated based on the loss attributable to shareholders of HK$7,283,932 (2007: HK$3,748,419) and the weighted average number of 299,000,000 (2007: 600,000,000) ordinary shares in issue during the year.

A diluted loss per share for the years ended 31 December 2008 and 31 December 2007 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options and convertible bonds would decrease the loss per share of the Group for the year and is regarded as anti-dilutive.

16. Property, plant and equipment

The Group:

	Buildings	Leasehold Improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At cost or valuation:						
Balance at 1 January 2007	4,500,000	173,665	83,913,970	3,227,138	377,950	92,192,723
Additions	–	–	46,008	32,988	285,236	364,232
Transfer from assets under construction	–	–	73,011	–	–	73,011
Balance at 31 December 2007 and at 1 January 2008	4,500,000	173,665	84,032,989	3,260,126	663,186	92,629,966
Additions	–	166,620	45,437	87,074	–	299,131
Transfer from assets under construction	–	–	2,254	–	–	2,254
Exchange realignment	–	15,423	11,289,607	410,637	66,147	11,781,814
Balance at 31 December 2008	4,500,000	355,708	95,370,287	3,757,837	729,333	104,713,165
Accumulated depreciation and impairment:						
Balance at 1 January 2007	225,000	65,874	75,585,418	3,033,861	357,698	79,267,851
Charge for the year	225,000	–	2,130,124	178,613	93,181	2,626,918
Exchange realignment	–	(8,623)	(918,814)	(15,670)	(1,620)	(944,727)
Balance at 31 December 2007 and at 1 January 2008	450,000	57,251	76,796,728	3,196,804	449,259	80,950,042
Charge for the year	225,000	162,889	3,355,110	66,788	105,751	3,915,538
Exchange realignment	–	10,603	11,260,992	408,384	24,319	11,704,298
Balance at 31 December 2008	675,000	230,743	91,412,830	3,671,976	579,329	96,569,878
Net carrying amount:						
As at 31 December 2008	3,825,000	124,965	3,957,457	85,861	150,004	8,143,287
As at 31 December 2007	4,050,000	116,414	7,236,261	63,322	213,927	11,679,924
Analysis of cost or valuation:						
At 31 December 2008						
At cost	–	355,708	95,370,287	3,757,837	729,333	100,213,165
At valuation	4,500,000	–	–	–	–	4,500,000
	4,500,000	355,708	95,370,287	3,757,837	729,333	104,713,165
At 31 December 2007						
At cost	–	173,665	84,032,989	3,260,126	663,186	88,129,966
At valuation	4,500,000	–	–	–	–	4,500,000
	4,500,000	173,665	84,032,989	3,260,126	663,186	92,629,966

16. Property, plant and equipment *(continued)*

The Group's buildings are located in the PRC under medium lease terms.

The Group's buildings were stated at HK$4,500,000 based on a valuation carried out by an independent firm of professional valuer, Malcolm & Associates Appraisal Limited, at 31 December 2005 on the depreciated replacement cost approach basis.

The carrying amount of the Group's buildings would have been HK$3,949,515 (2007: HK$4,164,152) had they been stated at cost less accumulated depreciation.

At 31 December 2008, no buildings were pledged as security for the group's bank borrowings (2007: HK$4,050,0000).

The Company:

	Leasehold Improvements	**Furniture, fixture and equipment**	**Total**
	HK$	HK$	HK$
At cost or valuation:			
Balance at 1 January 2007	–	–	–
Additions	–	–	–
Balance at 31 December 2007 and at 1 January 2008	–	–	–
Additions	166,620	65,650	232,270
Balance at 31 December 2008	166,620	65,650	232,270
Accumulated depreciation and impairment:			
Balance at 1 January 2007	–	–	–
Charge for the year	–	–	–
Balance at 31 December 2007 and at 1 January 2008	–	–	–
Charge for the year	41,655	16,413	58,068
Balance at 31 December 2008	41,655	16,413	58,068
Net carrying amount:			
As at 31 December 2008	124,965	49,237	174,202
As at 31 December 2007	–	–	–

17. Assets under construction

	Group Plant and Machinery HK$
Cost:	
At 1 January 2007	11,407
Additions	60,691
Exchange realignment	913
Transfers to Property, plant and equipment *(Note 16)*	(73,011)
At 31 December 2007 and at 1 January 2008	–
Additions	2,254
Transfers to Property, plant and equipment *(Note 16)*	(2,254)
At 31 December 2008	–

18. Prepaid land lease payments

The Group's prepaid lease payments represented its interest in land use rights and their net carrying value is analysed as follows:

	GROUP	
	2008 HK$	2007 HK$
Carrying amount at 1 January	**544,721**	518,018
Amortisation during the year	**(15,349)**	(14,739)
Exchange realignment	**28,056**	41,442
Carrying amount at 31 December	**557,428**	544,721

The Group's land use rights are related to a piece of land situated in the PRC and are held under medium term leases that are to be expired on 14 October 2043.

At 31 December 2008, no land use rights were pledged as security for the group's bank borrowings (2007: HK$544,721).

19. Interests in subsidiaries

	COMPANY	
	2008	2007
	HK$	HK$
Unlisted shares, at cost	**25,000,000**	25,000,000
Amount due from subsidiaries	**56,586,945**	51,590,681
	81,586,945	76,590,681
Impairment	**(78,320,945)**	(76,524,681)
	3,266,000	66,000
Amount due to a subsidiary	**–**	(646,306)
	3,266,000	(580,306)

The amount due from/(to) subsidiaries is unsecured, interest-free and has no fixed terms of repayment.

19. Interests in subsidiaries *(continued)*

Particulars of the subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Oriental Light (Holdings) Limited	The British Virgin Island ("the BVI")	HK$25,000,000	100%	–	Investing holding
Oriental Light Industries Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding and trading of synthetic sapphire watch crystals
Oriental Light (Fuqing) Company Limited #	The PRC	HK$27,970,000	–	100%	Manufacturing of synthetic sapphire watch crystals
Fast Systems Limited	BVI	US$1	–	100%	Trading of synthetic sapphire watch crystals and distribution of watches
Fast Systems Limited	Hong Kong	HK$2	–	100%	Inactive
Orient Rise International Limited	BVI	US$1	–	100%	Inactive
Principle Industries Limited	BVI	US$1	–	100%	Investment holding
Superjet Technologies Limited	Hong Kong	HK$2	–	100%	Investment holding and trading of ferrules
Fujian Superjet Technologies Company Limited #	The PRC	US$7,100,000	–	100%	Manufacturing and trading of ferrules
福清連誠精密加工有限公司#	The PRC	HK$7,530,000	–	100%	Property holding

\# *The companies were wholly foreign owned enterprises in the PRC.*

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

20. Marketable securities

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Marketable securities:				
– Equity securities listed				
in Hong Kong – at fair value	**2,514,000**	–	**2,514,000**	–

21. Inventories

	GROUP	
	2008	2007
	HK$	HK$
Raw Materials	**640,809**	277,354
Work in progress	**783,860**	160,622
Finished goods	**3,363,809**	2,384,102
	4,788,478	2,822,078

22. Trade receivables

	GROUP	
	2008	2007
	HK$	HK$
Trade receivables	**5,131,518**	5,822,395
Impairment	**(922,226)**	(922,226)
	4,209,292	4,900,169

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trading receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

The Group's terms on credit sales primarily range from 30 to 120 days.

22. Trade receivables *(continued)*

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2008	2007
	HK$	HK$
Current	**2,513,298**	2,241,187
31 – 60 Days	**185,789**	2,242,919
61 – 90 Days	**663,713**	246,389
Over 90 Days	**846,492**	169,674
	4,209,292	4,900,169

The aged analysis of the trade receivables that are not (or neither individually nor collectively) considered to be impaired is as follows:

	GROUP	
	2008	2007
	HK$	HK$
Neither past due nor impaired	**1,973,900**	2,559,625
Less than 1 month past due	**990,075**	2,173,669
1 to 3 months (or other appropriate time bands) past due	**809,566**	112,700
Over 90 Days	**435,751**	54,175
	4,209,292	4,900,169

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

22. Trade receivables *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. Prepayments, deposits and other receivables

	GROUP	
	2008	2007
	HK$	HK$
Prepayments	**4,464**	61,422
Deposits and other receivables	**1,092,794**	258,639
	1,097,258	320,061

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. Cash and cash equivalents and pledged deposits

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**1,830,067**	5,162,188	**582,412**	10,967
Time deposits	**54,889**	3,704,400	**–**	–
	1,884,956	8,866,588	**582,412**	10,967
Less: Pledged time deposits				
Pledged for interest bearing bank borrowings *(Note 27)*	**–**	(3,704,400)	**–**	–
	1,884,956	5,162,188	**582,412**	10,967

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$500,118 (2007: HK$1,691,071). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulation and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

25. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2008	2007
	HK$	HK$
Current	**404,977**	1,385,876
31 – 60 Days	**660,224**	1,014,386
61 – 90 Days	**2,798,940**	–
Over 90 Days	**1,035,368**	2,446,366
	4,899,509	4,846,628

The trade payables are non-interest bearing and are normally settled on 60 days terms.

26. Short-term loans/loans from a related company

Pursuant to the loan agreements entered into between certain subsidiaries of the Company (the "borrowers") and a related company (the "borrowers") in June and December of 2007, the loans from a related company were unsecured, interest-fee (2007: 8.25% per annum) and repayment on 15 June 2009. However, pursuant to supplementary loan agreement dated 18 March 2008, the lender has agreed not to demand repayment of the amount due until the borrowers are able to meet in full the financial obligation at the maturity date.

The former directors of the Company, Mr. Liao Lien Shen and Mr. Liao Ko Ping, being the beneficial owners and directors of the related company, have resigned on 19 August 2008 and therefore the lender no longer related to the Group and the loans from a related company has been reclassified as short-term loans.

27. Interest bearing bank borrowings – secured

	Effective interest rate %	Maturity	2008 HK$	2007 HK$
Bank loans – secured				
Loan 1 *(note (i))*	7.29%	23/10/2008	–	6,480,000
Loan 2 *(note (ii))*	6.10%	06/11/2008	–	3,210,984
Loan 3 *(note (iii))*	6.12%	05/11/2008	–	483,097
			–	10,174,081
Analysed into:				
Secured bank loans repayable:				
Within one year or on demand			–	10,174,081

Note (i): Pursuant to a loan agreement dated on 29 September 2007, the loan was secured by the buildings *(note 16)* and land use rights *(note 18)* of the Group.

Note (ii): Pursuant to a loan agreement dated on 6 November 2007, the loan was secured by certain time deposits *(note 24)*.

Note (iii): Pursuant to a loan agreement dated on 5 November 2007, the loan was secured by certain time deposits *(note 24)*.

All bank loans were settled during the year.

28. Convertible Bonds

The Convertible Bonds were issued on 18 August 2008 to Good Capital Resources Limited, Charmway Global Invest Limited and Wealth China & HK Growth Fund (the "Bondholders") at a nominal value of HK$4,100,000, HK$2,700,000 and HK$810,000 respectively for a term of 60 months.

The Convertible Bonds bear no interest for the period from (and including) the issue date to (but excluding) the date falling two years from the issue date. Thereafter, the Convertible Bonds will carry interest at a rate of 2% per annum, payable in arrears quarterly on 31 March, 30 June, 30 September and 31 December in each year.

The Convertible Bonds will not be redeemable by the Company before the maturity date unless in an event of default.

28. Convertible Bonds *(continued)*

The Bondholders may at any business day after the date of issue of the Convertible Bonds convert the whole or any part at an amount in whole multiple of HK$50,000 of the principal amount of the Convertible Bonds into ordinary shares of HK$0.001 each in the share capital of the Company at the conversion price of HK$0.01 per conversion share.

The Convertible Bonds may be transferable to any other person other than the connected persons of the Company at an amount in whole multiple of HK$50,000.

Details of the Convertible Bonds are set out in the Circular dated 22 July 2008.

The fair value of the liability component of the Convertible Bonds was measured using a market interest rate of approximately 15.08% for an equivalent non-convertible bond; the remaining balance represented the equity conversion component, is included in shareholders' equity under convertible bonds reserve.

	GROUP	
	2008	2007
	HK$	HK$
Proceeds of issue	**7,610,000**	–
Equity component	**(3,558,910)**	–
Liability component at date of issued	**4,051,090**	–
Interest charged	**215,971**	–
Interest paid	**–**	–
Liability component at the end of the year	**4,267,061**	–

No convertible bonds were converted to ordinary shares during the year.

29. Deferred tax

At 31 December 2008, the Group has unused tax losses of approximately HK$28,967,000 (2007: HK$26,006,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2008, the Group has deductible temporary differences of approximately HK$40,225,000 (2007: HK$31,135,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

No provision for deferred taxation has been recognized in the financial statements of the Company as the amount involved is insignificant.

30. Share capital

	Number of share		Share capital	
	2008	2007	**2008**	2007
			HK$	HK$
Authorized:				
1,000 Billion ordinary shares of HK$ 0.001 each (2007: 1 Billion ordinary shares of HK$ 0.10 each) *(note a)*	**1,000,000,000,000**	1,000,000,000	**1,000,000,000**	1,000,000,000
Issued and fully paid:–				
At the beginning of year	**600,000,000**	600,000,000	**60,000,000**	60,000,000
Capital re-organisation *(note a)*	**(540,000,000)**	–	**(59,940,000)**	–
Issue of shares *(note b)*	**239,000,000**	–	**239,000**	–
At the end of year	**299,000,000**	600,000,000	**299,000**	60,000,000

Note (a): Pursuant to the special resolution passed on 15 August, 2008, the shareholders of the Company approved the capital reorganisation which involved:

(i) the consolidation of every ten existing shares of HK$0.10 each into one Consolidated Share of HK$1.00 each;

(ii) the reduction of the issued share capital through canceling the paid-up capital to the extent of HK$0.999 on each of the issued Consolidated Share so that the nominal value of each issued Consolidated Share will be reduced from HK$1.00 into HK$0.001;

(iii) the subdivision of each authorized but unissued Consolidated Share of HK$1.00 each into 1,000 New Shares of HK$0.001 each; and

(iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account.

Note (b): Pursuant to the ordinary resolution passed on 15 August, 2008, the shareholders of the Company approved to allot and issue 239,000,000 new shares at a price of HK$0.01 to the subscribers in accordance with the subscription agreements entered between the Company and the subscribers on 5 June 2008.

Details of the capital reorganisation and subscription for new shares are set out in the circular dated 22 July 2008.

31. Share option scheme

By a written resolution of its then sole shareholder of the Company passed on 21 July 2001, the Share Option Scheme was approved and adopted.

Share options are granted to any full-time executive director or full-time employee of the Group at the directors' discretion at price determined by the board of the directors, being not less than the highest of the closing price of share of grant and the average closing price of the share of the Company as stated in the daily quotation sheet ('Quotation sheet") of GEM on the date of grant and the average closing price of the share of the Company as stated in the quotation sheets for the 5 business days immediately preceding the date of grant and nominal value of a share of the Company.

The maximum number of shares of the Company in respect of which share options may be granted under the Share Option Scheme and any other Schemes of the Company must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time. The total number of shares of the Company available for issue under share options which may be granted under the Share Option Schemes and any other schemes must not, in aggregate, exceed 10% of the shares in issue as at the date of this report unless shareholders' approval has been obtained.

The share options may be exercised in accordance with terms of the Share Option Scheme at any time during the period of not less than 3 years and in any event not more than 10 years from the date of the grant of the option.

The movements of share options during the year are as follows:

					Number of options				
Participant	**Date of grant**	**Exercise price** HK$	**Exercise period**	**At 1/1/2008**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**At 31/12/2008**
Directors	6/6/2002	0.158	6/6/2002 – 6/6/2012	49,000,000	–	–	–	(49,000,000)	–
Employees	6/6/2002	0.158	6/6/2002 – 6/6/2012	11,000,000	–	–	–	(11,000,000)	–
				60,000,000	–	–	–	(60,000,000)	–

Note: Share options previously granted to the participants had lapsed upon the termination of the participants' services.

32. Reserves

(a) The Group

	Share premium HK$	Exchange reserve HK$	Convertible bonds reserves HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At 1 January 2007	1,796,747	1,344,783	–	14,607,973	(73,702,411)	(55,952,908)
Loss for the year	–	–	–	–	(3,748,419)	(3,748,419)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	1,264,520	–	–	–	1,264,520
At 31 December 2007 and at 1 January 2008	1,796,747	2,609,303	–	14,607,973	(77,450,830)	(58,436,807)
Reduction of share capital *(note 30)*	–	–	–	59,940,000	–	59,940,000
Issue of shares *(note 30)*	2,151,000	–	–	–	–	2,151,000
Issue of convertible bonds *(note 28)*	–	–	3,558,910	–	–	3,558,910
Transfer *(note a)*	–	–	–	(74,547,973)	74,547,973	–
Loss for the year	–	–	–	–	(7,283,932)	(7,283,932)
Exchange difference on translation of the financial statements of foreign subsidiaries	–	488,278	–	–	–	488,278
	3,947,747	3,097,581	3,558,910	–	(10,186,789)	417,449

(b) The Company

	Share premium HK$	Convertible bonds reserves HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At 1 January 2007	1,796,747	–	–	(55,787,981)	(53,991,234)
Loss for the year	–	–	–	(6,647,529)	(6,647,529)
At 31 December 2007 and at 1 January 2008	1,796,747	–	–	(62,435,510)	(60,638,763)
Reduction of share capital *(note 30)*	–	–	59,940,000	–	59,940,000
Issue of shares *(note 30)*	2,151,000	–	–	–	2,151,000
Issue of convertible bonds *(note 28)*	–	3,558,910	–	–	3,558,910
Transfer *(note a)*	–	–	(59,940,000)	59,940,000	–
Loss for the year	–	–	–	(4,622,801)	(4,622,801)
	3,947,747	3,558,910	–	(7,118,311)	388,346

Note a: Pursuant to the special resolution passed on 15 August 2008, the shareholders of the Company approved to apply the contributed surplus to set off against the accumulated losses.

33. Related party transactions

(a) During the years ended 2008 and 2007, a related company provided the trademarks and the distribution channel of several watches brands to a subsidiary of the Company for watch distribution at nil consideration. The directors of the Company, Mr. Liao Lien Shen (resigned on 19 August 2008) and Mr. Liao Ko Ping (resigned on 19 August 2008), are the beneficial owners and directors of the related company.

(b) No interest was charged by a related company in respect of its loans to the Group during the year. Details of interest paid to a related company in prior year are set out in notes (9).

34. Operating lease arrangements

As lessee

The Group leases certain of its office properties under operating lease arrangement. Leases for properties are negotiated for a term of two years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2008 **HK$**	2007 HK$
Within one year	**545,760**	67,830
In the second to fifth year inclusive	**82,110**	–
	627,870	67,830

35. Contingent liabilities

The Group and the Company did not have material contingent liabilities as at 31 December 2008 (2007: Nil).

36. Significant post balance sheet events

Subsequent to the balance date, holders of the convertible bonds converted the bonds in an aggregate nominal value of HK$3,510,000 to 351,000,000 ordinary shares at the conversion price of HK$0.01 per conversion share.

37. Financial instruments by categories

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2008

Financial assets

	GROUP					
	Financial assets at fair value through profit and loss					
	Designated as such upon initial recognition HK$	Held for trading HK$	Held to maturity investments HK$	Loans and receivables HK$	Available for sale financial assets HK$	Total HK$
Marketable securities *(note 20)*	–	2,514,000	–	–	–	2,514,000
Trade receivables *(note 22)*	–	–	–	4,209,292	–	4,209,292
Financial assets included in prepayments, deposits and other receivables *(note 23)*	–	–	–	1,097,258	–	1,097,258
Pledged deposits *(note 24)*	–	–	–	–	–	–
Cash and cash equivalent *(note 24)*	–	–	–	1,884,956	–	1,884,956
	–	2,514,000	–	7,191,506	–	9,705,506

Financial liabilities

	GROUP			
	Financial liabilities at fair value though profit and loss			
	Designated as such upon initial recognition HK$	Held for trading HK$	Financial liabilities at amortised cost HK$	Total HK$
Trade payables *(note 25)*	–	–	4,899,509	4,899,509
Financial liabilities included in other payables and accruals	–	–	3,667,991	3,667,991
Short-term loans *(note 26)*	–	–	7,532,414	7,532,414
Interest-bearing bank borrowings, secured *(note 27)*	–	–	–	–
Convertible bonds *(note 28)*	–	–	4,267,061	4,267,061
	–	–	20,366,975	20,366,975

37. Financial instruments by categories *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2007

Financial assets

	GROUP					
	Financial assets at fair value through profit and loss					
	Designated as such upon initial recognition HK$	Held for trading HK$	Held to maturity investments HK$	Loans and receivables HK$	Available for sale financial assets HK$	Total HK$
Marketable securities *(note 20)*	–	–	–	–	–	–
Trade receivables *(note 22)*	–	–	–	4,900,169	–	4,900,169
Financial assets included in prepayments, deposits and other receivables *(note 23)*	–	–	–	320,061	–	320,061
Pledged deposits *(note 24)*	–	–	–	3,704,400	–	3,704,400
Cash and cash equivalent *(note 24)*	–	–	–	5,162,188	–	5,162,188
	–	–	–	14,086,818	–	14,086,818

Financial liabilities

	GROUP			
	Financial liabilities at fair value though profit and loss			
	Designated as such upon initial recognition HK$	Held for trading HK$	Financial liabilities at amortised cost HK$	Total HK$
Trade payables *(note 25)*	–	–	4,846,628	4,846,628
Financial liabilities included in other payables and accruals	–	–	3,229,208	3,229,208
Loan from a related company *(note 26)*	–	–	8,274,062	8,274,062
Interest-bearing bank borrowings, secured *(note 27)*	–	–	10,174,081	10,174,081
Convertible bonds *(note 28)*	–	–	–	–
	–	–	26,523,979	26,523,979

37. Financial instruments by categories *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2008

Financial assets

	COMPANY					
	Financial assets at fair value through profit and loss					
	Designated as such upon initial recognition HK$	Held for trading HK$	Held to maturity investments HK$	Loans and receivables HK$	Available for sale financial assets HK$	Total HK$
Marketable securities *(note 20)*	–	2,514,000	–	–	–	2,514,000
Financial assets included in prepayments, deposits and other receivables	–	–	–	518,771	–	518,771
Due from subsidiaries *(note 19)*	–	–	–	1,862,264	–	1,862,264
Cash and cash equivalent *(note 24)*	–	–	–	582,412	–	582,412
	–	2,514,000	–	2,963,447	–	5,477,447

Financial liabilities

	COMPANY			
	Financial liabilities at fair value though profit and loss			
	Designated as such upon initial recognition HK$	Held for trading HK$	Financial liabilities at amortised cost HK$	Total HK$
Financial liabilities included in other payables and accruals	–	–	2,100,978	2,100,978
Due to a subsidiary *(note 19)*	–	–	646,306	646,306
Convertible bonds *(note 28)*	–	–	4,267,061	4,267,061
	–	–	7,014,345	7,014,345

37. Financial instruments by categories *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2007

Financial assets

	COMPANY					
	Financial assets at fair value through profit and loss					
	Designated as such upon initial recognition	Held for trading	Held to maturity investments	Loans and receivables	Available for sale financial assets	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Marketable securities *(note 20)*	–	–	–	–	–	–
Due from subsidiaries *(note 19)*	–	–	–	66,000	–	66,000
Cash and cash equivalent *(note 24)*	–	–	–	10,967	–	10,967
	–	–	–	76,967	–	76,976

Financial liabilities

	COMPANY			
	Financial liabilities at fair value though profit and loss			
	Designated as such upon initial recognition	Held for trading	Financial liabilities at amortised cost	Total
	HK$	HK$	HK$	HK$
Financial liabilities included in other payables and accruals	–	–	122,250	122,250
Due to a subsidiary *(note 19)*	–	–	646,306	646,306
Convertible bonds *(note 28)*	–	–	–	–
	–	–	768,556	768,556

38. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings and other payables and accruals and loan from a related company. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, other price risks, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note (4) to the financial statements.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB"), Japanese Yen ("Yen"), Euro ("Euro"), New Taiwan dollars ("NTD") and Hong Kong dollars ("HKD"). Approximately 93% (2007: 90%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 96% (2006: 82%) of costs are denominated in currencies other than the units' functional currency.

During the years ended 31 December 2008 and 2007, the exchange rate of USD, Yen and NTD were quite stable and approximately 18% (2007: 48%) of the Group's sales are denominated in these currencies.

The exchange rate of CHF, RMB and EUR were comparatively volatile.

38. Financial risk management objectives and policies *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of EUR, CHF, JYP, and RMB, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	HK$	HK$
31 December 2008			
If HKD weakens against EUR	5%	(160,717)	(160,717)
If HKD strengthens against EUR	(5%)	160,717	160,717
If HKD weakens against CHF	5%	51,516	51,516
If HKD strengthens against CHF	(5%)	(51,516)	(51,516)
If HKD weakens against JYP	5%	(869)	(869)
If HKD strengthens against JYP	(5%)	869	869
If HKD weakens against RMB	5%	(4,927)	(4,927)
If HKD strengthens against RMB	(5%)	4,927	4,927
31 December 2007			
If HKD weakens against EUR	5%	(97,316)	(97,316)
If HKD strengthens against EUR	(5%)	97,316	97,316
If HKD weakens against CHF	5%	(11,980)	(11,980)
If HKD strengthens against CHF	(5%)	11,980	11,980
If HKD weakens against JYP	5%	–	–
If HKD strengthens against JYP	(5%)	–	–
If HKD weakens against RMB	5%	(223,842)	(223,842)
If HKD strengthens against RMB	(5%)	223,842	223,842

At 31 December 2008 and 2007, the Group had not hedged any foreign currency sales to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rate of these foreign currencies have continuous fluctuation, they will consider to use forward currency contracts to reduce these risks.

38. Financial risk management objectives and policies *(continued)*

Other price risks

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investment with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in banking, telecommunication and construction industry sectors quoted in The Stock Exchange of Hong Kong Limited.

Sensitivity analysis

If equity prices had been 15% higher/lower (2007: 5% higher/lower):

Profit before tax for the year ended 31 December 2008 would increase/decreased by HK$ 377,100 (2007: Nil). This is mainly due to the changes in fair value of marketable securities.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

38. Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing loans. The directors of the Company are currently exploring various options for providing additional equity funding to the Group. Provided that such additional equity funding can be secured, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Also, a director of the Group has indicated his willingness to continue financing the operations of the Group and the Company and has agreed not to demand repayment of the amounts due to him of his controlled entity until the Group and the Company is in a position to do so.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

31 December 2008

	On demand or has no fixed terms of repayment HK$	Less than 3 months HK$	Held to 3 to less than 12 months HK$	1 to 5 years HK$	Total HK$
Trade payables *(note 25)*	4,899,509	–	–	–	4,899,509
Financial liabilities included in other payables and accruals	3,667,991	–	–	–	3,667,991
Loan from a related company *(note 26)*	–	–	7,532,414	–	7,532,414
Interest-bearing bank borrowings, secured *(note 27)*	–	–	–	–	–
Convertible bonds *(note 28)*	–	–	–	4,267,061	4,267,061
	8,567,500	–	7,532,414	4,267,061	20,366,975

38. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Group *(continued)*

31 December 2007

	On demand or has no fixed terms of repayment HK$	Less than 3 months HK$	Held to 3 to less than 12 months HK$	1 to 5 years HK$	Total HK$
Trade payables *(note 25)*	4,846,628	–	–	–	4,846,628
Financial liabilities included in other payables and accruals	3,229,208	–	–	–	3,229,208
Loan from a related company *(note 26)*	–	–	–	8,274,062	8,274,062
Interest-bearing bank borrowings, secured *(note 27)*	–	–	10,174,081	–	10,174,081
Convertible bonds *(note 28)*	–	–	–	–	–
	8,075,836	–	10,174,081	8,274,062	26,523,979

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Company

31 December 2008

	On demand or has no fixed terms of repayment HK$	**Less than 3 months HK$**	**Held to 3 to less than 12 months HK$**	**1 to 5 years HK$**	**Total HK$**
Financial liabilities included in other payables and accruals	**2,100,978**	**–**	**–**	**–**	**2,100,978**
Due to a subsidiary *(note 19)*	**–**	**–**	**–**	**–**	**–**
Convertible bonds *(note 28)*	**–**	**–**	**–**	**4,267,061**	**4,267,061**
	2,100,978	**–**	**–**	**4,267,061**	**6,368,039**

38. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Company *(continued)*

31 December 2007

	On demand or has no fixed terms of repayment HK$	Less than 3 months HK$	Held to 3 to less than 12 months HK$	1 to 5 years HK$	Total HK$
Financial liabilities included in other payables and accruals	122,250	–	–	–	122,250
Due to a subsidiary *(note 19)*	646,306	–	–	–	646,306
Convertible bonds *(note 28)*	–	–	–	–	–
	768,556	–	–	–	768,556

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. As at the balance sheet date, the Group has not significant equity price risk.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders of issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

38. Financial risk management objectives and policies *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payables and accruals, loan from a related company and interest-bearing bank loan, less cash and cash equivalents, and excludes discontinued operations. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	GROUP	
	2008	2007
	HK$	HK$
Trade payables *(note 25)*	**4,899,509**	4,846,628
Other payables and accruals	**3,667,991**	3,229,208
Loan from a related company *(note 26)*	**–**	8,274,062
Short-term loans *(note 26)*	**7,532,414**	–
Interest bearing bank borrowings, secured *(note 27)*	**–**	10,174,081
Convertible bonds *(note 28)*	**4,267,061**	–
Less: Pledged deposits	**–**	(3,704,400)
Cash and cash equivalents *(note 24)*	**(1,884,956)**	(5,162,188)
Net debt	**18,482,019**	17,657,391
Equity attributable to equity holders	**716,449**	1,563,193
Total capital	**716,449**	1,563,193
Capital and net debt	**19,198,468**	19,220,584
Gearing ratio	**96.3%**	91.9%

39. Approval of the financial statements

The financial statement were approved and authorized for issue by the board of directors on 27 March 2009.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the past five financial years is set out below:

	Year ended 31 December				
	2008	2007	2006	2005	2004
Results	**HK$**	HK$	HK$	HK$	HK$
Loss from continued operations	**(7,283,932)**	(3,748,419)	(4,981,060)	(6,317,389)	(5,720,161)
Profit/(loss) from discontinued operation	**–**	–	408,260	1,244,355	(65,930)
Loss attributable to shareholders	**(7,283,932)**	(3,748,419)	(4,572,800)	(5,073,034)	(5,786,091)

	2008	2007	2006	2005	2004
Assets and liabilities	**HK$**	HK$	HK$	HK$	HK$
Total assets	**23,194,699**	29,876,473	24,262,124	31,664,410	45,534,584
Total liabilities	**(22,478,250)**	(28,313,280)	(20,215,032)	(23,637,793)	(33,186,441)
Shareholders' equity	**716,449**	1,563,193	4,047,092	8,026,617	12,348,143