Annual Report 2009

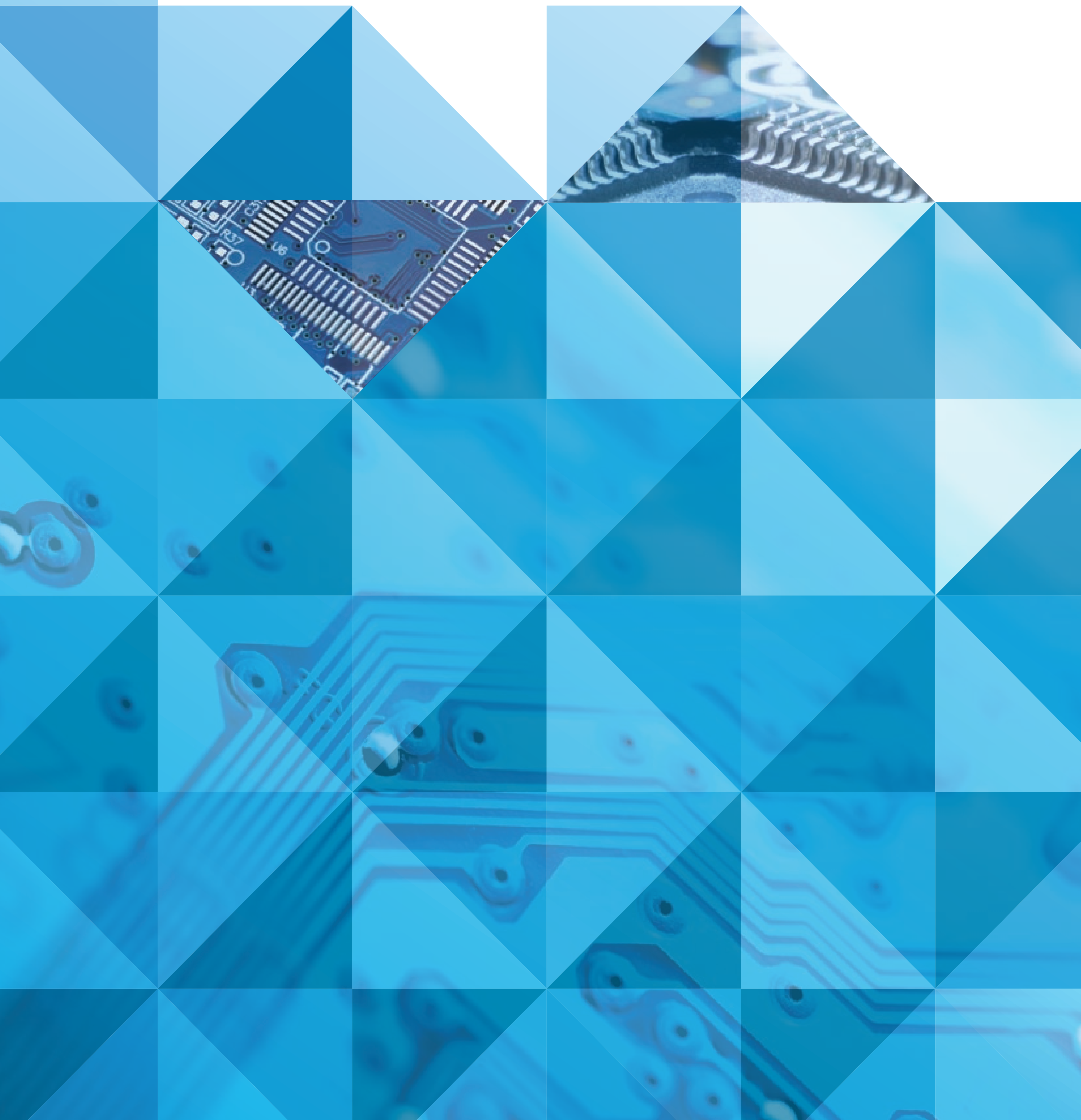
AKM

AKM Industrial Company Limited

安 捷 利 實 業 有 限 公 司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

Stock Code: 8298



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Corporate Information

BOARD OF DIRECTORS

Executive directors

XIONG Zheng Feng *(Chairman)*
CHAI Zhi Qiang
LI Ying Hong

Non-executive director

HAN Li Gang

Independent non-executive directors

LI Kung Man
(resigned on 15 October 2009)
WU Tak Lung
(appointed on 13 January 2010)
LIANG Zhi Li
WANG Heng Yi

COMPLIANCE OFFICER

LI Ying Hong

COMPANY SECRETARY

LAM Sau Yan, FCCA

AUTHORISED REPRESENTATIVES

XIONG Zheng Feng
LI Ying Hong

AUDIT COMMITTEE

LI Kung Man *(Committee Chairman)*
(resigned on 15 October 2009)
WU Tak Lung *(Committee Chairman)*
(appointed on 13 January 2010)
LIANG Zhi Li
WANG Heng Yi

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN CHINA

63 Huan Shi Road South
Information Technology Park
Nansha District
Guangzhou City
The People's Republic of China

REGISTERED OFFICE

Rooms 2708-11, 27th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

HONG KONG SHARE REGISTRAR & TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Chiyu Banking Corporation Ltd.
Bank of China (Panyu Branch)
Guangzhou Rural Commercial Bank

GEM STOCK CODE

8298

COMPANY HOMEPAGE/WEBSITE

www.akmcompany.com

Chairman's Statement

For and on behalf of the board of Directors (the "Board"), I would like to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

RESULT ANALYSIS AND BUSINESS REVIEW

2009 was a year for the Group to prepare for the future while building on its past experience. With the official opening of the Group's Nansha new production plant during the year, the relocation of the production plant in Panyu was completed. The site area of the Group's Nansha Industrial Park was 92,852 sq. m.. With the construction of production plant of gross floor area of approximately 42,000 sq.m. completed in 2009, the Group's new flexible printed circuit ("FPC") production plant is housed thereon and commenced its operation during the year. Following the relocation, the production quality was progressively stabilized and widely accepted by our customers. The management trusts that in terms of size, facilities and technology level, the Group's new FPC production line would be in the leading position among its competitors in the mainland China.

The turnover of the Group for 2009 amounted to approximately HK$267.53 million, representing a decrease of approximately 29.26% as compared to that of 2008 while the profit attributable to the equity holders of the Company was approximately HK$18.34 million. Notwithstanding that the relocation of the production plant had been speedily completed, adverse impact on the revenue arising from the relocation was inevitable which had been duly compensated by the relocation compensation of approximately HK$58.02 million granted by the relevant PRC government authority. The extraordinary income contributed to the profit recorded in the year under review and reversed the loss-making position of the Group in the past three years.

In 2009, the Group aimed to cope with the demands of its major international customers in accordance with its corporate development strategy. The Group focused its efforts on various aspects, such as the perfection of the layout of the Nansha new production plant, recruitment of industry expert from Korea, and enhancement of internal capability. Besides, the Group has further strengthened internal control in the operation such as the continuous tracking of changes in inventories and receivables and enhancement of cost control. During the year, the Group has started preparation for the business of the R&D, manufacture and production of electronic modules for Liquid Crystal Display Module ("LCM") in order to establish the foundation of the Group to provide one-stop services to meet customers' demands.

In 2010, the Group will continue to focus on the following aspects, i.e. identifying and developing large international clients, quality improvement and production scale in Nansha production plant, construction of the Suzhou new production plant and relocation as well as the establishment of the electronic modules business. Internal management will be strengthened and a system of clear division of responsibilities is to be adopted.

The Group is dedicated to strengthen its core competence and achieve the Company's profit goal, thereby creating greater value for its shareholders, staffs as well as the community. It is the Group's mission to become a major international supplier of FPC and electronic modules and to become an industry leader in the PRC market. Besides, the Group will further enhance the capability to meet the customers' demands for one stop services with an aim to provide better services to the fast growing electronic market in the PRC.

Chairman's Statement

With the smooth operation of the Nansha new production plant and the anticipated completion of construction of the Suzhou new production plant in the new year, the Board is of the view that the Group has completed the layout of the FPC production bases in the Southern and the Eastern China to provide better services to both large international clients and domestic clients, which allows the Group to increase its market share effectively in the future. The gross profit margin of the Group's major products is expected to be improved and stabilized following the uplift of our internal management standards and capability. The Board is committed to delivering satisfactory results and offering promising long term returns to its shareholders in the future to come.

APPRECIATION

On 15 October 2009, Mr Li Kung Man resigned from his position as an independent non-executive Director, and on 13 January 2010, Mr. Wu Tak Lung was appointed as an independent non-executive Director. On behalf of the Board, I take this opportunity to extend our gratitude to Mr. Li for his contribution to the Company, and I welcome Mr. Wu on joining the Company.

Furthermore, I would also like to thank the management and staff members of the Group for their hard work and valuable contributions to the Group in the past year, and to thank our shareholders for their continuous support to the Group. The Group will do its best to achieve good results in future.

AKM Industrial Company Limited
XIONG Zheng Feng
Chairman

Hong Kong, 24 March 2010

Biographical details of the Directors and the senior management of the Group are set out below:

DIRECTORS

Executive Directors

Mr. Xiong Zheng Feng (熊正峰), aged 40, is the chairman of the Company and an executive Director. In July 1992, he graduated from the Department of Computer Science of 南開大學 (Nankai University) and obtained his bachelor degree in science. He then obtained his master degree in economics from 南開大學經濟學院 (Nankai University School of Economics) in July 1995. Mr. Xiong joined 中國北方工業公司 (China North Industries Corporation) in August 1995 and took up the post of deputy general manager of 中國北方工業廈門公司 (China North Industries Xiamen Corporation) from October 1999 to November 2000. He is also an alternate director of Raymond Industrial Ltd, a company whose shares are listed on the Stock Exchange of Hong Kong, since April 2003. In November 2000, Mr. Xiong joined Silver City International (Holdings) Ltd. (銀華國際（集團）有限公司) ("Silver City"), the controlling shareholder and a substantial shareholder of the Company, as assistant General Manager and was promoted to the position of Deputy General Manager of Silver City in March 2004. He is also a director of Alpha Luck Industrial Limited (安利實業有限公司), the controlling shareholder and a substantial shareholder of the Company, since March 2001. Mr. Xiong is also a director of the subsidiaries of the Group, namely AKM Electronics Industrial (Panyu) Ltd., AKM (Suzhou) FPC Company Limited, AKM Electronic Technology (Suzhou) Company Limited and Ever Proven Investments Limited. He is also a director of a jointly controlled entity of the Group, Shenzhen Smart Electronics Co. Ltd. Mr. Xiong joined the Company in March 2001 and is responsible for the Group's corporate policy formulation, business strategies planning, business development and management of the Group. Save as disclosed above, Mr. Xiong does not hold any directorship in other listed companies in the past three years, and does not have any other relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company.

Mr. Chai Zhi Qiang (柴志強), aged 49, is an executive Director and the general manager of the Company. In January 1982, he graduated from the 激光技術專業 (Faculty of Laser Technology) of 長春光學精密機械學院 (Changchun Institute of Optics and Fine Mechanics) and obtained his bachelor degree in engineering. He then obtained his 結業證書 (Certificate on continuing education) from the 香港中澳管理學院 (Hong Kong Sino-Australia Management College) in June 2001. From February 1982 to September 1992, Mr. Chai was employed by the 江蘇省揚州市曙光儀器廠 (Shuguang Appliances Factory of Yangzhou City, Jiangsu Province) as engineer and branch-factory manager. He then joined 銀利（廣州）電子電器實業有限公司 (Alpha Luck Electronic & Electric Appliance Industrial (Guangzhou) Ltd.) in October 1992 as project manager. In January 1994, Mr. Chai joined the Company and is responsible for research and development and overall management of the Group. Mr. Chai has over 10 years of experience in the flexible printed circuit production industry. Mr. Chai is a director of the subsidiaries of the Group, namely, AKM Electronics Industrial (Panyu) Ltd., AKM (Suzhou) FPC Company Limited, AKM Electronic Technology (Suzhou) Company Limited, Ever Proven Investments Limited, Giant Rise Technology Limited and New Career Guangzhou Electronics Company Limited. Mr. Chai is also a director of a jointly controlled entity of the Group, Shenzhen Smart Electronics Co. Ltd. Save as disclosed above, Mr. Chai does not hold any directorship in other listed companies in the past three years, and does not have any other relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholder of the Company.

Ms. Li Ying Hong (李映紅), aged 46, is an executive Director. In July 1985, she obtained her bachelor degree in corporate finance and accounting from 江西財經學院 (Jiangxi College of Finance). In May 2003, she obtained her master degree in international management from Australia National University. During the period from August 1985 to February 2003, Ms. Li was employed as, amongst other roles, deputy chief accountant, deputy general manager and chief accountant of the finance department in 中國萬寶工程公司 (Wanbao China Engineering Corporation). From March 2001 to April 2003, she was a director for 北方國際合作股份有限公司 (Norinco International Cooperation Company Limited), a company listed on the Shenzhen Stock Exchange in China. She is a non-executive director of Raymond Industrial Ltd., a company whose shares are listed on the Stock Exchange of Hong Kong, since July 2008. In June 2003, Ms. Li joined Silver City as a director, deputy general manager and financial controller. At the same time, she joined the Company and is responsible for the Group's corporate policy formulation, business strategies planning, business development and management of the Group. Ms. Li is a director of the subsidiaries of the Group, namely, AKM Electronics Industrial (Panyu) Ltd., AKM Electronic Technology (Suzhou) Company Limited and Ever Proven Investments Limited. Save as disclosed above, Ms. Li does not hold any directorship in other listed companies in the past three years, and does not have any other relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company.

Non-executive Director

Mr. Han Li Gang (韓立剛), aged 48, is a non-executive Director. Mr. Han graduated from Faculty of Mathematic of 北京師範大學 (Beijing Normal University) and obtained his bachelor degree in mathematics in July 1986. He then obtained a master degree in industrial management engineering in 武漢工業大學 (Wuhan University of Industrial Studies) in June 1993. In February 1993, he joined 中國兵工物資總公司 (China Army Industrial Material Company) and took up the position of deputy head of the audit and investment departments. Mr. Han joined 中國北方工業公司 (China North Industries Corporation) in January 2001 as senior economist, and later became supervisor of the strategic management department. He was appointed as a non-executive Director of the Company in March 2004. Mr. Han is also a director of AKM Electronics Industrial (Panyu) Ltd., a subsidiary of the Group. Save as disclosed above, Mr. Han does not hold any directorship in other listed companies in the past three years, and does not have any relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company.

Independent non-executive Directors

Mr. Wu Tak Lung, aged 44, is currently a director and Head of Investment Banking of CSC Asia Limited, a company licensed by the Securities and Futures Commission of Hong Kong. Mr. Wu had worked in an international audit firm, Deloitte Touche Tohmatsu for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance, chief financial officer and/or executive director. Mr. Wu was awarded the degree of Bachelor of Business Administration in Accounting by the Hong Kong Baptist University and the degree of Master of Business Administration jointly by The University of Manchester and The University of Wales. Mr. Wu is a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. Mr. Wu is also a Member of the Hong Kong Securities Institute and an associate member of The Hong Kong Institute of Certified Public Accountants. Mr. Wu is an independent non-executive director for several companies listed on the Main Board of the Stock Exchange, namely Neo-Neon Holdings Limited, China Water Industry Group Limited, Aupu Group Holding Company Limited and Apollo Solar Energy Technology Holdings Limited (formerly known as "RBI Holdings Limited"). He is also an independent non-executive director for iMerchants Limited and Finet Group Limited, both of which are listed on GEM. He was appointed as an independent non-executive director of Glory Future Group Limited, a company listed on GEM, on 1 October 2005 and had resigned on 11 December 2007. Mr. Wu was also an independent director of Sinobest Technology Holdings Ltd., a company listed on the Singapore Stock Exchange, and had resigned on 1 December 2008. Furthermore, Mr. Wu was an independent non-executive director of Ezcom Holdings Limited, a company previously listed on the Main Board of the Stock Exchange with a winding up petition filed by a supplier and provisional liquidator appointed on 25 April 2005 ("Liquidation"), and Mr. Wu had resigned on 31 August 2005. In this regard, Mr. Wu had confirmed that there was no wrongful act done by him leading to the Liquidation and the Liquidation would not adversely affect his position in discharging duties of acting as an independent non-executive Director. Mr. Wu was appointed as an independent non-executive Director in January 2010. Save as disclosed above, Mr. Wu does not hold any directorship in other listed companies in the past three years and does not have any relationship with any other directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Mr. Liang Zhi Li (**梁志立**), aged 66, is currently the deputy chief secretary of 中國印制電路行業協會 (CPCA). He graduated from 北京航空航天大學 (Beihang University) in September 1967. He has been highly involved and has accumulated substantial experience in the printed circuit board industry, in particular, the production of double-sided and multi-layer printed circuit boards. Mr. Liang was appointed as an independent non-executive Director in March 2004. Mr. Liang does not hold any directorship in other listed companies in the past three years and does not have any other relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholder of the Company.

Mr. Wang Heng Yi (**王恒義**), aged 69, is currently the chief engineer for 廣東東碩科技有限公司. He graduated from 上海同濟大學 (University of Tongji of Shanghai) in July 1963. Mr. Wang was previously the chief engineer for 珠海多層電路有限公司 (Zhuhai Multi-layer Circuits Co. Ltd.). He has accumulated over 40 years of experience in the research and development for the production of printed circuit boards. He was appointed as an independent non-executive Director in June 2004. Mr. Wang does not hold any directorship in other listed companies in the past three years, and does not have any relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company.

Mr. Li Kung Man (李公民), aged 53, is currently a director for 惠通國際控股有限公司 (Freeway International Holdings Limited) and 德華移動商務有限公司 (De Welt Mobile Commerce Limited). He was an independent non-executive director of 中國神威藥業集團有限公司 (China Shineway Pharmaceutical Group Limited) until 30 May 2008. He was also an independent non-executive director of 廣東科龍電器股份有限公司 (Guangdong Kelon Electrical Holdings Company Limited) until 26 June 2006. He graduated from the Hong Kong Polytechnic University in July 1980 with a higher diploma in accountancy. Mr. Li is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has accumulated over 20 years of experience in accounting and finance before joining the Group. Mr. Li was appointed as an independent non-executive Director in March 2004. Save as disclosed above, Mr. Li does not hold any directorship in other listed companies in the past three years and does not have any other relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholder of the Company. Mr. Li had resigned from his directorship of the Company with effect from 15 October 2009 (Relevant disclosure in relation to Mr. Li's resignation had been made in the announcement of the Company dated 15 October 2009).

COMPANY SECRETARY

Mr. Lam Sau Yan (**林守仁**), aged 49, is the company secretary of the Company. Mr. Lam graduated from the University of Hong Kong and obtained his bachelor degree of social sciences in November 1985. He obtained the associate membership of The Association of Chartered Certified Accountants in October 1989 and became a fellow member in October 1994. He has over 10 years of experience in the accounting and finance field. Immediately prior to joining the Group, Mr. Lam was employed by Silver City as an accounting manager in April 1997 for three years and was in charge of the accounting and finance department. He joined the Company in January 2004 as the company secretary.

FINANCIAL REVIEW

For the year ended 31 December 2009, the turnover of the Group amounted to approximately HK$267.53 million, representing a decrease of approximately 29.26% as compared to that of last year. The decrease in turnover was mainly attributed to the decrease in the business of sourcing of components. The gross profit margin for the year was increased to approximately 3.95% (year of 2008: 0.15%) due to the increase in the gross profit margin of FPC.

The profit attributable to the owners of the Company for 2009 was approximately HK$18.34 million, while the loss was approximately HK$24.89 million for 2008. The increase in profit was mainly contributed by the relocation compensation granted by the relevant PRC government authority, which amounted to RMB51,021,508 (equivalent to approximately HK$57,858,390 at the date of the relevant announcement), and relevant disclosure had been made in the announcement of the Company dated 7 May 2009.

The other income of the Group for the year ended 31 December 2009 amounted to approximately HK$58.96 million, representing an increase of approximately HK$58.01 million as compared to that of last year. The increase in other income was mainly contributed by the relocation compensation granted by the relevant PRC government authority.

The distribution costs of the Group for the year ended 31 December 2009 amounted to approximately HK$2.87 million, representing a decrease of approximately 57.89% as compared to that of last year. The decrease in distribution costs was mainly due to the recovery of certain debts which were written off in the previous years, as well as the decrease in the provision of doubtful debts for the year.

The administrative expenses of the Group for the year ended 31 December 2009 amounted to approximately HK$16.08 million, representing a decrease of approximately 8.37% as compared to that of last year.

The research and development expenses of the Group for the year ended 31 December 2009 amounted to approximately HK$7.64 million, representing a decrease of approximately 2.76% as compared to that of last year.

The finance cost of the Group for the year ended 31 December 2009 amounted to approximately HK$0.93 million, representing a decrease of approximately 11.86% as compared to that of last year.

BUSINESS REVIEW AND OUTLOOK

Business Review

The Group is principally engaged in the manufacture and sale of FPC and electronic components, which are used in communication, LCD, consumer electrical and electronic appliances such as mobile phones, LCD, car electronics and cameras. The main businesses of the Group can be divided into the sales of FPC and sourcing of electronic components and electronic modules for LCM.

For the year ended 31 December 2009, the turnover of the Group amounted to approximately HK$267.53 million, representing a decrease of approximately 29.26% as compared to that of last year. During the year under review, the turnover for sales of FPC and sourcing of electronic components and electronic modules were approximately HK$142.39 million and HK$125.14 million respectively, while the turnover for FPC and sourcing of electronic components and electronic modules during the year ended 31 December 2008 were approximately HK$145.21 million and HK$232.98 million respectively. In 2009, the profit attributable to the owners of the Company amounted to approximately HK$18.34 million, while the loss was approximately HK$24.89 million for 2008. The relocation compensation of approximately HK$58.02 million granted by the relevant PRC government authority to the Group for the relocation of the Group's Panyu production plant had reversed the loss-making position of the Group in the past three years.

During the year under review, the Group's Nansha Industrial Park was officially opened, and the production plant in Panyu was closed. During the relocation of the Panyu production plant, the orders were inevitably disrupted and product quality were affected. After the completion of relocation, the production quality was progressively stabilized and widely accepted by our customers. The site area of the Nansha Industrial Park was 92,852 sq.m. and construction of production plant of gross floor area of approximately 42,000 sq. m. had been completed. At present, the Group's new FPC production plant is housed within the Nansha Industrial Park. The management trusts that in terms of size, facilities and technology level, the new FPC production line would be in the leading position among its competitors in the mainland China. The production line for LCM has already been established and housed in Nansha Industrial Park during the year under review and is at a preliminary stage of operation.

In 2009, the Group aimed to cope with the demands of its major international customer in accordance with its corporate development strategy. The Group focused its efforts on various aspects, such as the perfection of the layout of the Nansha new production plant, recruitment of industry expert from Korea, and enhancement of internal capability. Besides, the Group has further strengthened internal control in the operation such as the continuous tracking of changes in inventories and receivables and enhancement of cost control. The Group's orders and production yield have been constantly improving and demonstrating a promising development trend.

The Group's wholly-owned subsidiary AKM Electronic Technology (Suzhou) Company Limited has commenced the construction of the Suzhou new production plant on its own land acquired. Upon completion of the construction, the Group will relocate the existing leased Suzhou production plant to the new site. The new production plant will become the Group's manufacturing base of FPC in the Eastern China.

Outlook

Due to the changing competition environment of the mobile phone market in the PRC as well as the impact arising from the relocation of the Group's production plant, the Group continued to record unsatisfactory operating results in 2009. Through the reinforcement, adjustment, consolidation and development of the Group's business over years, the Group will continue to focus on the following aspects in the new year, i.e. identifying and developing large international clients, quality improvement and production scale in Nansha production plant, construction of the Suzhou new production plant and relocation as well as the establishment of the electronic modules business. Internal management will be strengthened and a system of clear division of responsibilities is to be adopted.

The Group is dedicated to strengthen its core competence and achieve the Company's profit goal, thereby creating greater value for its shareholders, staffs as well as the community. It is the Group's mission to become a major international supplier of FPC and electronic modules and to become an industry leader in the PRC market. Besides, the Group will further enhance the capability to meet the customers' demands for one stop services with an aim to provide better services to the fast growing electronic market in the PRC.

The Group is seeking to introduce technical experts from abroad and enter into cooperation and strategic alliance with large international manufacturers and related design institutions of the industry, in order to further improve the Group's R&D, manufacturing and management capabilities and build up our core competitive power.

With the smooth operation of the Nansha new production plant and the anticipated completion of construction of the Suzhou new production plant in the new year, the Board is of the view that the Group has completed the layout of the FPC production bases in the Southern and the Eastern China to provide better services to both large international clients and domestic clients, which allows the Group to increase its market share effectively in the future. The gross profit margin of the Group's major products is expected to be improved and stabilized following the uplift of our internal management standards and capability. The Board is committed to delivering satisfactory results and offering promising long term returns to its shareholders in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily with internally generated fund from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital for its present funding requirements. As at 31 December 2009, the Group had outstanding borrowings amounting to HK$48,740,227, of which approximately HK$1,690,841 and HK$47,049,386 were trust receipts loans and bank borrowings respectively, and had bank overdrafts amounting to HK$1,666,676.

EMPLOYEES

As at 31 December 2009, the Group had a total of 1,016 full-time employees (2008: 772 employees) based in Hong Kong and the PRC. The total staff costs of the Group, including the Directors' remunerations, for the year ended 31 December 2009 amounted to HK$30,356,883 (2008: HK$31,381,365). The Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of the PRC and Hong Kong. The Directors believe that employees are one of the most valuable assets of the Group which significantly contributed to the success of the Group. Apart from the basic remuneration and staff benefits, the Company also provides employees with share option schemes so as to reward their contributions to the Group and to enable the Group to recruit and retain high-calibre employees. The Group recognises the importance of staff training and, hence, regular training is provided to the Group's staff to enhance their technical and product knowledge. Majority of the Group's employees are stationed in the PRC.

CAPITAL STRUCTURE

Since 18 August 2004, the shares of the Company have been listed on GEM and there has been no change in the capital structure of the Company. The capital of the Company comprises only ordinary shares.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals during the year ended 31 December 2009.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSETS

As reported in previous results announcement and reports, AKM Electronics Industrial (Panyu) Ltd. (安捷利（番禺）電子實業有限公司), the wholly-owned subsidiary of the Company, entered into an agreement for the transfer of land use rights on 1 June 2006 to acquire the land use rights of a piece of land situating at the South of Technology Road, Information Technology Park of the Economic and Development Area of Nansha, Guangzhou, the PRC (the "Nansha Land") at a total consideration of RMB18,106,140. The Land has a total gross area of 92,852 sq.m., which is used for production relocation and expansion purposes. The construction of a new production facility had been completed on the Nansha Land during the year. The capital commitment in relation to the new production facility is funded by internal resources and/or borrowings.

In April 2008, AKM Electronic Technology (Suzhou) Co., Ltd. (安捷利電子科技（蘇州）有限公司)("AKM ET"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire the land use rights of a piece of land with gross area of approximately 58,786 sq.m. situated at East of Liangang Road, Suzhou City, the PRC (the "Suzhou Land") at a consideration of RMB28,217,660. The Suzhou Land and an adjacent parcel of land ("Adjacent Land") of gross area of approximately 29,611 sq.m. purchased in June 2007 which are both situated at the Suzhou Gaoxin District will be used by the Group for the purpose of the expansion of the business for FPC production. Relevant disclosure in relation to acquisition of land use rights of the Suzhou Land and the Adjacent Land had been made in the announcement of the Company dated 24 April 2008. A new production plant is under construction on the Suzhou Land and the Adjacent Land and the operation of AKM ET will be relocated once the construction is completed. The capital commitment in relation the new production plant is funded by the development support fund ("Development Support Fund"). Relevant disclosure in relation to the grant and receipt of Development Support Fund had been made in the announcement of the Company dated 25 September 2008.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at 31 December 2009.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2009, bank deposits of approximately HK$2.35 million (as at 31 December 2008: approximately HK$2.35 million) and no bills receivables (as at 31 December 2008: approximately HK$0.81 million) of the Group were pledged as collateral to secure the banking facilities granted to the Group.

As at 31 December 2009, land use rights and buildings with carrying amounts of approximately HK$20.13 million and HK$62.38 million respectively (as at 31 December 2008: approximately HK$20.45 million and nil) were pledged to secure general banking facilities granted to Group.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2009, the Group had a net cash and cash equivalent position of HK$13,693,414. The Group's gearing ratio as at 31 December 2009 was approximately 50.73% (31 December 2008: 51.55%) which was calculated based on the Group's total liabilities of approximately HK$188,059,706 (31 December 2008: HK$174,277,026) and total assets of approximately HK$370,670,725 (31 December 2008: HK$338,087,861).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The income and expenditure of the Group are mainly received and incurred in US$ and RMB and the assets and liabilities of the Group are denominated in HK$ and RMB. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US$ and RMB. The results of operations and the financial position of the Group may be affected by any changes in the exchanges rates and the Group has not taken any hedging measures in this connection. Further, the conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of China. However, taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

CAPITAL COMMITMENTS

Details of the Company's capital commitments are set out in note 37 to the consolidated financial statements.

Corporate Governance Report

INTRODUCTION

Subject to the deviation as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less than the standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry on all Directors, the Directors have complied with such code of conduct and the standard of dealings regarding securities transactions throughout the year ended 31 December 2009.

BOARD OF DIRECTORS AND BOARD MEETING

As at 31 December 2009, the Board consisted of 3 executive Directors and 3 non-executive Directors of which 2 are independent non-executive Directors, following the resignation of Mr. Li Kung Man from his position as independent non-executive Director, a member and chairman of the audit committee and a member of the remuneration committee of the Company on 15 October 2009. Following the appointment of Mr. Wu Tak Lung as an independent non-executive Director, a member and chairman of the audit committee and a member of the remuneration committee of the Company on 13 January 2010, as at the date of this report, the Board consists of 3 executive Directors and 4 non-executive Directors of which 3 are independent non-executive Directors:

Executive Directors:

Mr. Xiong Zheng Feng *(Chairman)*
Mr. Chai Zhi Qiang *(Chief Executive Officer)*
Ms. Li Ying Hong

Non-executive Director:

Mr. Han Li Gang

Independent non-executive Directors:

Mr. Li Kung Man (resigned on 15 October 2009)
Mr. Wu Tak Lung (appointed on 13 January 2010)
Mr. Liang Zhi Li
Mr. Wang Heng Yi

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on pages 5 to 8 of this annual report. 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. There is no relationship among the members of the Board.

Save for the transitional period ("Transitional Period") between the date of resignation of Mr. Li Kung Man as an independent non-executive Director on 15 October 2009 and the date of appointment of Mr. Wu Tak Lung as an independent non-executive Director on 13 January 2010, the Company maintained the appointment of one non-executive Director and three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders during the year under review and as at the date of this report. Mr. Han Li Gang is the non-executive Director, Mr. Liang Zhi Li and Mr. Wang Heng Yi are the independent non-executive Directors. Mr. Li Kung Man was an independent non-executive Director of the Company until his resignation on 15 October 2009, and Mr. Wu Tak Lung was appointed an independent non-executive Director with effect from 13 January 2010. Mr. Han Li Gang and Mr. Liang Zhi Li were first appointed under a letter of appointment by the Company for a term of three years commenced from 19 March 2004, and was then reappointed for a further term of three years commenced from 19 March 2007. Following the expiration of such term, Mr. Han Li Gang and Mr. Liang Zhi Li have been appointed for a further term of three years commenced from 19 March 2010. Mr. Wang Heng Yi was first appointed under a letter of appointment by the Company for a term of three years commenced from 18 June 2004 and following the expiration of such initial term, was reappointed for a further term of three years commenced from 18 June 2007. Mr.Wu Tak Lung has been appointed for a term of three years commenced from 13 January 2010. All of them are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive Director confirming his independence to the Company, including Mr. Li Kung Man who confirmed his independence up to the date of his resignation i.e. 15 October 2009. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

During the year under review, Mr. Xiong Zheng Feng was the chairman and Mr. Chai Zhi Qiang was the chief executive officer.

The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual during the year under review. The chairman's responsibility is to manage the Board while the chief executive officer's is to manage the business of the Company.

The Board held a full board meeting for each quarter.

Details of the attendance of the meetings of the members of the Board during the year under review are as follows:

Directors	**Attendance**
Mr. Xiong Zheng Feng	4/4
Mr. Chai Zhi Qiang	4/4
Ms. Li Ying Hong	4/4
Mr. Han Li Gang	4/4
Mr. Li Kung Man (resigned on 15 October 2009)	3/3
Mr. Liang Zhi Li	4/4
Mr. Wang Heng Yi	4/4
Mr. Wu Tak Lung (appointed on 13 January 2010)	–

Apart from the above regular board meetings of the year, the members of the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive agenda and details of items for decision in advance of each board meeting.

REMUNERATION OF DIRECTORS

The remuneration committee was established in August 2005. As at the date of this report, the chairman of the committee is Mr. Han Li Gang, a non-executive Director, and other members are Mr. Wu Tak Lung and Mr. Wang Heng Yi, both of them are independent non-executive Directors, thus the majority being independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, such as any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year under review, two meetings of the remuneration committee were held. Details of the attendance of the meeting of the remuneration committee meeting are as follows:

Members	Attendance
Mr. Han Li Gang	2/2
Mr. Li Kung Man (resigned on 15 October 2009)	1/1
Mr. Wang Heng Yi	2/2
Mr. Wu Tak Lung (appointed on 13 January 2010)	–

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

No nomination committee was established by the Company.

The Board considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year.

The Board considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Pursuant to Article 101 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election. Accordingly, Mr. Hang Li Gang and Mr. Wang Heng Yi will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company in accordance with the Articles of Association.

Further, pursuant to Article 92 of the Articles of Association, the Board shall have power from time to time, and at any time to appoint any person as a Director either to fill a vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Wu Tak Lung, an independent non-executive Director, appointed by the Board on 13 January 2010 will also retire and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HK$700,000 to the external auditor for their audit service.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to Directors. Save for the Transitional Period, the audit committee comprised three members who were independent non-executive Directors during the year under review. As at the date of this report, the audit committee comprises three members, Mr. Wu Tak Lung, Mr. Liang Zhi Li and Mr. Wang Heng Yi. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Wu Tak Lung. The audited consolidated results of the Group for the year had been reviewed by the audit committee.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Li Kung Man (resigned on 15 October 2009)	3/3
Mr. Liang Zhi Li	4/4
Mr. Wang Heng Yi	4/4
Mr. Wu Tak Lung (appointed on 13 January 2010)	–

The Group's unaudited quarterly and interim results in 2009 and annual audited results for the year ended 31 December 2008 had been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure had been made. The audited consolidated results of the Group for the year had been reviewed by the audit committee.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 32.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure an effective and adequate internal control system. The Company convened meetings periodically to discuss financial, operational and risk management control.

AUDITOR

During the year, the performance of the external auditor of the Company had been reviewed and it is proposed to reappoint the external auditor at the forthcoming Annual General Meeting.

Directors' Report

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

SEGMENT INFORMATION

The Group's principal activities are the manufacture and sale of flexible printed circuit and sourcing and sale of electronic components and electronic modules. An analysis of the Group's turnover by geographical market of its customers and operating segments for the year ended 31 December 2009 are set out in note 5 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and is engaged in sourcing of raw materials and equipment for its subsidiaries and trading of flexible printed circuit. The activities of its principal subsidiaries and jointly controlled entity are set out in notes 17 and 16 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 33.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Xiong Zheng Feng *(Chairman)*
Mr. Chai Zhi Qiang
Ms. Li Ying Hong

Non-executive Director:

Mr. Han Li Gang

Independent non-executive Directors:

Mr. Li Kung Man	(resigned on 15 October 2009)
Mr. Wu Tak Lung	(appointed on 13 January 2010)
Mr. Liang Zhi Li	
Mr. Wang Heng Yi	

Pursuant to Article 101 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election. Accordingly, Mr. Hang Li Gang and Mr. Wang Heng Yi will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company in accordance with the Articles of Association.

Further, pursuant to Article 92 of the Articles of Association, the Board shall have power from time to time, and at any time to appoint any person as a Director either to fill a vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Wu Tak Lung, an independent non-executive Director, appointed by the Board on 13 January 2010 will also retire and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years and thereafter will continue until being terminated by not less than three calendar months' notice in writing served by either party on the other. Each of the non-executive Directors and independent non-executive Directors has been appointed by the Company under a letter of appointment for a term of three years which is terminable by not less than three calendar month's prior notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Details of the Directors' remunerations are set out in note 11 to the consolidated financial statements.

SHARE OPTION SCHEMES

Pursuant to written resolutions of the then shareholders of the Company on 6 August 2004, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and another share option scheme (the "Scheme"). Particulars of the Pre-IPO Scheme and the Scheme are set out in note 31 to the consolidated financial statements. During the year ended 31 December 2009, no options were granted under the Scheme.

Details of the movements in the number of options during the year which have been granted under the Pre-IPO Scheme are as follows:

				Number of share options		
Name or category of participant	Date of grant (Note 1)	Exercisable period (Notes 1 & 2)	Exercise price per share HK$	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
Directors						
Mr. Xiong Zheng Feng	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,000,000	–	2,000,000
Mr. Chai Zhi Qiang	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,800,000	–	2,800,000
Ms. Li Ying Hong	6.8.2004	18.8.2005 to 6.8.2014	0.4	600,000	–	600,000
				5,400,000	–	5,400,000
Employees	6.8.2004	18.8.2005 to 6.8.2014	0.4	6,800,000	(800,000)	6,000,000
Total				12,200,000	(800,000)	11,400,000

Notes:

1. All dates are shown in the sequence of day.month.year.

2. These share options are exercisable, starting from the first anniversary of the listing date at stepped annual increments of 25% of the total options granted, for a period of not later than 10 years from the date of grant.

SHARE OPTION SCHEMES *(Continued)*

Details of the movements in the number of options during the year which have been granted under the Scheme are as follows:

Name or category of participant	Date of grant (Note 1)	Exercisable period (Notes 1 & 2)	Exercise price per share HK$	Number of share options: Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
Directors						
Mr. Xiong Zheng Feng	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	–	2,000,000
Mr. Chai Zhi Qiang	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	–	2,000,000
Ms. Li Ying Hong	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	–	2,000,000
Mr. Han Li Gang	9.7.2007	10.7.2007 to 9.7.2017	0.36	1,600,000	–	1,600,000
Mr. Li Kung Man	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	(800,000)	–
Mr. Liang Zhi Li	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	–	800,000
Mr. Wang Heng Yi	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	–	800,000
				10,000,000	(800,000)	9,200,000
Employees	9.7.2007	10.7.2007 to 9.7.2017	0.36	19,000,000	(6,800,000)	12,200,000
Total				29,000,000	(7,600,000)	21,400,000

Notes:

1. All dates are shown in the sequence of day.month.year.

2. These share options are exercisable, starting from the day after the date upon which the options were granted, for a period of not later than 10 years from the date of grant.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 December 2009, none of the Directors and the chief executive and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

(a) The Company

(i) Interest in shares of the Company

Name	Name of the Company in which interest is held	Class and number of shares of which interested (other than under equity derivatives)	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	the Company	2,190,000 ordinary shares	Beneficial owner	Long	0.41

(ii) Interest in the underlying shares of the Company through equity derivatives

Name of Director	Name of the Company in which interest is held	Class and number of underlying shares held under physically settled equity derivatives	Notes	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	the Company	2,000,000 ordinary shares	1	Beneficial owner	Long	0.37
		2,000,000 ordinary shares	2	Beneficial owner	Long	0.37
Mr. Chai Zhi Qiang	the Company	2,800,000 ordinary shares	1	Beneficial owner	Long	0.52
		2,000,000 ordinary shares	2	Beneficial owner	Long	0.37
Ms. Li Ying Hong	the Company	600,000 ordinary shares	1	Beneficial owner	Long	0.11
		2,000,000 ordinary shares	2	Beneficial owner	Long	0.37

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES *(Continued)*

(a) The Company *(Continued)*

(ii) Interest in the underlying shares of the Company through equity derivatives (Continued)

Name of Director	Name of the Company in which interest is held	Class and number of underlying shares held under physically settled equity derivatives	Notes	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Han Li Gang	the Company	1,600,000 ordinary shares	2	Beneficial owner	Long	0.30
Mr. Liang Zhi Li	the Company	800,000 ordinary shares	2	Beneficial owner	Long	0.15
Mr. Wang Heng Yi	the Company	800,000 ordinary shares	2	Beneficial owner	Long	0.15

Notes:

1. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong and Mr. Chai Zhi Qiang in the underlying ordinary shares of the Company reflects the share options to subscribe for shares in the Company at a subscription price of HK$0.40 per share granted to him/her under the Pre-IPO Scheme, which position remains unchanged since the date of grant on 6 August 2004.

2. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Liang Zhi Li and Mr. Wang Heng Yi in the underlying ordinary shares of the Company reflects the share options to subscribe for shares in the Company at a subscription price of HK$0.36 per share granted to him/her under the Scheme, which position remains unchanged since the date of grant on 9 July 2007.

3. Mr. Xiong Zheng Feng is, in aggregate, interested in approximately 1.15% of the total issued share capital in the Company, such interest comprises his interests in 2,190,000 issued shares of the Company and 4,000,000 underlying shares held under equity derivatives.

4. None of Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Liang Zhi Li nor Mr. Wang Heng Yi is interested in any securities of the Company other than under underlying shares held under equity derivatives.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES *(Continued)*

(b) The associated corporation

As at 31 December 2009, to the best knowledge of the Directors, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of any associated corporations of the Company (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and Rules 5.46 to 5.68 of the GEM Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the top five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2009, no person other than certain Directors or chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were 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 any members of the Group.

Name of substantial shareholder	Capacity	Class and number of securities in which interested (other than under equity derivatives) (Note 4)	Long/short position	Approximate percentage of total issued share capital in the Company
Alpha Luck Industrial Ltd. ("Alpha Luck")	Beneficial owner	360,000,000 ordinary shares	Long	66.67
Silver City International (Holdings) Ltd. ("Silver City") (Note 1)	Interest in controlled corporation	360,000,000 ordinary shares	Long	66.67
China North Industries Corporation 中國北方工業公司 ("CNIC") (Note 2)	Interest in controlled corporation	360,000,000 ordinary shares	Long	66.67
Dalmary International Corporation ("Dalmary") (Note 3)	Beneficial owner	39,660,000 ordinary shares	Long	7.34

Notes:

1. This represents the same block of shares of the Company shown against the name of Alpha Luck. Since Alpha Luck is wholly and beneficially owned by Silver City, Silver City is deemed to be interested in the same number of shares of the Company held by Alpha Luck under Part XV of the SFO.

2. As Silver City is wholly and beneficially owned by CNIC, CNIC is deemed to be interested in the same number of shares of the Company which Silver City is deemed to be interested under Part XV of the SFO.

3. Dalmary is beneficially owned by 29 shareholders which consist of various Directors, members of the senior management and employees of the Group. Mr. Xiong Zheng Feng, Mr. Chai Zhi Qiang and Ms. Li Ying Hong are interested in 30%, 28.75% and 6.75% respectively in the issued share capital of Dalmary.

4. None of Alpha Luck, Silver City, CNIC nor Dalmary is interested in any securities of the Company under equity derivatives.

RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2009 comprised the retained profits of HK$47,552,031.

Details of changes in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 37 and note 32 to the consolidated financial statements.

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules, including Mr. Li Kung Man who confirmed his independence up to the date of his resignation i.e. 15 October 2009. Based on such confirmation, the Company considers that all of its independent non-executive Directors are independent.

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December 2009 are set out in note 38 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions of pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 56% of the Group's turnover and the turnover attributable to the Group's largest customer accounted for approximately 21% of the Group's turnover.

For the year ended 31 December 2009, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 60% of the Group's purchases and the purchases attributable to the Group's largest supplier accounted for approximately 25% of the Group's purchases.

None of the Directors, their respective associates nor any shareholder (who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) has any interest in the top five customers and top five suppliers of the Group during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2009.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2009, the Group had continued with the following connected transactions which had all been terminated with effect from 30 April 2009 pursuant to a cancellation agreement ("Cancellation Agreement") entered into between AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu"), a wholly owned subsidiary of the Company, and 銀利(廣州)電子電器實業有限公司(Alpha Luck Electronic & Electric Appliance Industrial (Guangzhou) Ltd.) ("ALI Guangzhou") on 22 January 2009:

1. Pursuant to a property lease dated 17 January 2008 entered into between AKM Panyu and ALI Guangzhou (the "2008 Factory Lease"), ALI Guangzhou as landlord agreed to lease to AKM Panyu as tenant, portion of 3rd floor, 4th, 5th and 6th floor of an industrial building and 2 warehouses in Yinli Industrial Building, Jiaomen Industrial Zone, Huangge Town, Nansha District, Guangzhou, Guangdong Province, the Peoples' Republic of China ("PRC") (the "Units I") with a total gross floor area of approximately 14,174 sq.m., for industrial use for a period of three years commenced from 1 December 2007 and expiring on 30 November 2010 (subject to an option granted to AKM Panyu for an extension of a further lease term of three years).

2. Pursuant to a property lease 17 January 2008 entered into between AKM Panyu and ALI Guangzhou (the "2008 Dormitory Lease"), ALI Guangzhou as landlord agreed to lease to AKM Panyu as tenant, 80 residential units in 3 residential blocks ancillary to Yinli Industrial Building, Jiaomen Industrial Zone, Huangge Town, Nansha District, Guanghou, Guangdong Province, the PRC ("the Units II") with total gross floor area of approximately 2,801 sq.m., for dormitory use for a period of three years commenced from 1 December 2007 and expiring on 30 November 2010 (subject to an option granted to AKM Panyu for an extension of a further lease term of three years).

3. Pursuant to a property lease dated 24 April 2007 entered into between AKM Panyu and ALI Guangzhou (the "2007 Factory Lease"), ALI Guangzhou as landlord agreed to lease to AKM Panyu as tenant, 1st, 2nd and portion of 3rd floor of an industrial building and 3 warehouses, Yinli Industrial Building, Jiaomen Industrial Zone, Huangge Town, Nansha District, Guangzhou, Guangdong Province, PRC (the "Factory") with a total gross floor area of approximately 9,263 sq.m., for industrial use for a period of three years commenced from 1 January 2007 and expiring on 31 December 2009 (subject to an option granted to AKM Panyu for an extension of a further lease term of three years) at an annual rental of RMB758,285 (equivalent to approximately HK$835,944).

CONNECTED TRANSACTIONS *(Continued)*

4. Pursuant to a property lease dated 24 April 2007 entered into between AKM Panyu and ALI Guangzhou (the "2007 Dormitory Lease"), ALI Guangzhou as landlord agreed to lease to AKM Panyu as tenant, 84 residential units in 3 residential blocks ancillary to Yinli Industrial Building, Jiaomen Industrial Zone, Huangge Town, Nansha District, Guangzhou, Guangdong Province, the PRC (the "Dormitory") with total gross floor area of approximately 2,328 sq.m., for dormitory use for a period of three years commenced from 1 January 2007 and expiring on 31 December 2009 (subject to an option granted to AKM Panyu for an extension of a further lease term of three years) at an annual rental of RMB326,207 (equivalent to approximately HK$359,615).

As ALI Guangzhou is a wholly-owned subsidiary of Alpha Luck which is a substantial shareholder and the controlling shareholder of the Company, the above transactions constituted continuing connected transactions of the Company under the GEM Listing Rules.

On 22 January 2009, ALI Guangzhou and AKM Panyu entered into the Cancellation Agreement to terminate all rights and obligations of the parties under the 2008 Factory Lease, the 2008 Dormitory Lease, the 2007 Factory Lease and the 2007 Dormitory Lease with effect from 30 April 2009 (collectively, "Connected Leases"). Relevant details in relation to the termination of the continuing connected transactions and the Cancellation Agreement had been disclosed in an announcement of the Company dated 22 January 2009 ("Announcement").

Rental payment under the Connected Leases

As disclosed in the Announcement, pursuant to the Cancellation Agreement, ALI Guangzhou had agreed to unconditionally and irrevocably waive the rental and property management fees for January 2009 to April 2009 payable by AKM Panyu under the Connected Leases. Accordingly, no rental had been paid by AKM Panyu to ALI Guangzhou for the year ended 31 December 2009 under the Connected Leases.

The independent non-executive Directors had confirmed that the transactions had been entered into by the Company in the ordinary course of its business, in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Reasons for the transactions

The Directors consider that it is in the best interests of the Company and its shareholders as a whole to continue with the above continuing connected transactions for the duration stated thereunder to ensure that the Factory, the Dormitory, the Units I and the Units II were available for the operations of the Group and that it is normal market practice for property leases of similar kinds in the PRC to have a three-year duration. Following the completion of the production plant on the Nansha Land and the relocation of the production plant from the Panyu Land to the Nansha Land during the second quarter of 2009, the Connected Leases had been terminated pursuant to the Cancellation Agreement.

Save as disclosed above, there are no other connected transactions of the Group to be disclosed under the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 40 to the consolidated financial statements.

AUDITOR

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

AKM Industrial Company Limited
Xiong Zheng Feng
Chairman

Hong Kong, 24 March 2010

Deloitte.
德勤

TO THE MEMBERS OF AKM INDUSTRIAL COMPANY LIMITED
安捷利實業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of AKM Industrial Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 93, which comprise the consolidated and Company's statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 March 2010

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$	2008 HK$
Revenue	5	**267,530,512**	378,194,134
Cost of sales		**(256,973,076)**	(377,610,695)
Gross profit		**10,557,436**	583,439
Other income	6	**58,956,676**	950,384
Distribution costs		**(2,867,427)**	(6,810,113)
Administrative expenses		**(16,077,590)**	(17,545,947)
Factory relocation costs	7	**(21,411,502)**	–
Research and development expenses		**(7,635,300)**	(7,852,085)
Share of result of a jointly controlled entity		**(3,040,780)**	10,200,962
Finance costs	8	**(933,218)**	(1,058,753)
Profit (loss) before taxation	9	**17,548,295**	(21,532,113)
Taxation credit (charge)	10	**159,586**	(1,047,265)
Profit (loss) for the year		**17,707,881**	(22,579,378)
Other comprehensive income (expenses):			
Exchange differences arising on translation of foreign operations		**1,092,303**	13,224,456
Total comprehensive income (expenses) for the year		**18,800,184**	(9,354,922)
Profit (loss) for the year attributable to:			
Owners of the Company		**18,339,436**	(24,893,938)
Minority interests		**(631,555)**	2,314,560
		17,707,881	(22,579,378)
Total comprehensive income (expenses) attributable to:			
Owners of the Company		**19,401,388**	(12,256,635)
Minority interests		**(601,204)**	2,901,713
		18,800,184	(9,354,922)
Earnings (loss) per share	13		
– basic		**3.40 cents**	(4.61 cents)

Consolidated Statement of Financial Position

AT 31 DECEMBER 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	14	**146,609,580**	134,018,842
Prepaid lease payments	15	**56,515,544**	57,439,578
Interest in a jointly controlled entity	16	**20,753,851**	29,097,380
		223,878,975	220,555,800
Current assets			
Inventories	18	**21,497,537**	27,333,000
Trade and other receivables	19	**104,147,024**	41,533,614
Bills receivables	19	**2,228,356**	5,323,566
Prepaid lease payments	15	**1,205,600**	1,199,720
Amount due from a jointly controlled entity	20	**–**	3,013,321
Tax recoverable		**–**	220,545
Pledged bank deposits	21	**2,353,143**	2,349,707
Bank balances and cash	27	**15,360,090**	36,558,588
		146,791,750	117,532,061
Current liabilities			
Trade and other payables	22	**46,108,516**	45,039,546
Bills payables	22	**3,895,085**	5,851,491
Deferred income	23	**3,305,974**	340,329
Amount due to a fellow subsidiary	24	**2,056,405**	2,939,172
Amount due to a jointly controlled entity	20	**2,534,651**	–
Taxation payable		**3,380,164**	3,344,842
Borrowings	25	**48,740,227**	34,962,952
Loan from a jointly controlled entity	26	**–**	4,086,894
Loan from a minority shareholder of a subsidiary	26	**2,247,500**	2,247,500
Loan from ultimate holding company	28	**4,559,964**	4,537,720
Bank overdrafts	27	**1,666,676**	780,858
		118,495,162	104,131,304
Net current assets		**28,296,588**	13,400,757
Total assets less current liabilities		**252,175,563**	233,956,557

Consolidated Statement of Financial Position

AT 31 DECEMBER 2009

	Notes	2009 HK$	2008 HK$
Capital and reserves			
Share capital	30	**54,000,000**	54,000,000
Reserves		**125,284,018**	105,882,630
Equity attributable to owners of the Company		**179,284,018**	159,882,630
Minority interests		**3,327,001**	3,928,205
Total equity		**182,611,019**	163,810,835
Non-current liabilities			
Deferred income	23	**30,494,756**	30,346,001
Loans from an intermediate holding company	24	**38,775,000**	38,750,000
Deferred taxation	29	**294,788**	1,049,721
		69,564,544	70,145,722
		252,175,563	233,956,557

The consolidated financial statements on pages 33 to 93 were approved and authorised for issue by the Board of Directors on 24 March 2010 and are signed on its behalf by:

Li Ying Hong
Director

Xiong Zheng Feng
Director

Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	14	**59,326**	88,012
Interests in subsidiaries	17	**201,209,867**	197,954,447
		201,269,193	198,042,459
Current assets			
Trade and other receivables	19	**22,690,662**	14,924,137
Amounts due from subsidiaries	17	**5,286,025**	2,742,500
Tax recoverable		**–**	180,300
Pledged bank deposits	21	**2,353,143**	2,349,707
Bank balances and cash	27	**73,769**	65,703
		30,403,599	20,262,347
Current liabilities			
Trade and other payables	22	**2,188,673**	2,874,605
Amounts due to subsidiaries	17	**27,472,383**	15,541,190
Borrowings	25	**3,140,592**	1,156,939
Bank overdrafts	27	**1,666,676**	780,858
		34,468,324	20,353,592
Net current liabilities		**(4,064,725)**	(91,245)
Total assets less current liabilities		**197,204,468**	197,951,214
Capital and reserves			
Share capital	30	**54,000,000**	54,000,000
Reserves	32	**104,429,468**	105,201,214
Total equity		**158,429,468**	159,201,214
Non-current liabilities			
Loans from an intermediate holding company	24	**38,775,000**	38,750,000
		197,204,468	197,951,214

Li Ying Hong
Director

Xiong Zheng Feng
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company							
	Share capital	Share premium	Translation reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2008	54,000,000	53,868,328	27,054,429	4,098,318	33,086,177	172,107,252	1,026,492	173,133,744
Exchange differences arising on translation of foreign operations	–	–	12,637,303	–	–	12,637,303	587,153	13,224,456
Loss for the year	–	–	–	–	(24,893,938)	(24,893,938)	2,314,560	(22,579,378)
Total comprehensive income (expenses) for the year	–	–	12,637,303	–	(24,893,938)	(12,256,635)	2,901,713	(9,354,922)
Recognition of equity-settled share based payments	–	–	–	32,013	–	32,013	–	32,013
Lapse of share options	–	–	–	(312,561)	312,561	–	–	–
At 31 December 2008	54,000,000	53,868,328	39,691,732	3,817,770	8,504,800	159,882,630	3,928,205	163,810,835
Exchange differences arising on translation of foreign operations	–	–	1,061,952	–	–	1,061,952	30,351	1,092,303
Profit for the year	–	–	–	–	18,339,436	18,339,436	(631,555)	17,707,881
Total comprehensive income (expenses) for the year	–	–	1,061,952	–	18,339,436	19,401,388	(601,204)	18,800,184
Lapse of share options	–	–	–	(808,661)	808,661	–	–	–
At 31 December 2009	**54,000,000**	**53,868,328**	**40,753,684**	**3,009,109**	**27,652,897**	**179,284,018**	**3,327,001**	**182,611,019**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$	2008 HK$
OPERATING ACTIVITIES		
Profit (loss) before taxation	**17,548,295**	(21,532,113)
Adjustments for:		
Interest expense	**933,218**	1,058,753
Interest income	**(93,670)**	(289,063)
Share of result of a jointly controlled entity	**3,040,780**	(10,200,962)
(Reversal of) allowance for doubtful debts	**(687,504)**	2,466,388
Allowance for obsolete inventories	**4,388,789**	4,928,097
Amortisation of prepaid lease payments	**1,202,585**	958,047
Bad debt directly written off	**68,168**	–
Depreciation of property, plant and equipment	**12,282,018**	9,787,255
Write-off of property, plant and equipment	**7,096,445**	–
Impairment loss recognised in respect of property, plant and equipment	**3,873,316**	–
Gain on disposal of property, plant and equipment	**(1,276)**	(39)
Deferred income recognised	**–**	(330,724)
Share-based payment expense	**–**	32,013
Operating cash flows before movements in working capital	**49,651,164**	(13,122,348)
Decrease in inventories	**1,551,963**	2,234,167
(Increase) decrease in trade and other receivables	**(61,636,343)**	22,100,024
Decrease in bills receivables	**3,106,080**	13,414,628
Decrease in amount due from a jointly controlled entity	**3,013,321**	12,874,647
Increase in amount due to a jointly controlled entity	**2,534,651**	–
Decrease in trade and other payables	**(7,491,186)**	(12,019,205)
Decrease in bills payables	**(1,975,406)**	(1,791,471)
Decrease in amount due to a fellow subsidiary	**(872,736)**	(1,774,978)
Government grant received	**2,956,562**	–
Cash (used in) generated from operations	**(9,161,930)**	21,915,464
Interest paid	**(1,296,905)**	(2,757,464)
Profits tax refund	**183,516**	–
Income Tax paid	**(542,415)**	(89,371)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(10,817,734)**	19,068,629
INVESTING ACTIVITIES		
Dividend received from a jointly controlled entity	**5,424,153**	3,021,000
Investment in a jointly controlled entity	**–**	(7,090,000)
Interest received	**93,670**	289,063
Government grant received	**–**	29,489,582
Increase in prepaid lease payment	**–**	(31,172,358)
Proceeds from disposal of property, plant and equipment	**26,154**	79,644
Additions of property, plant and equipment	**(26,464,137)**	(47,343,259)
(Increase) decrease in pledged bank deposits	**(3,436)**	6,334,876
NET CASH USED IN INVESTING ACTIVITIES	**(20,923,596)**	(46,391,452)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$	2008 HK$
FINANCING ACTIVITIES		
New borrowings raised	**77,054,624**	65,924,374
Repayment of borrowings	**(63,472,154)**	(50,391,361)
Loans raised from an intermediate holding company	**17,057,084**	39,682,214
Loan raised from a jointly controlled entity	**–**	3,980,854
Repayment of loan from a jointly controlled entity	**(4,086,894)**	–
Repayment of loans from an intermediate holding company	**(17,057,084)**	(16,536,214)
NET CASH FROM FINANCING ACTIVITIES	**9,495,576**	42,659,867
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(22,245,754)**	15,337,044
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**35,777,730**	19,228,262
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**161,438**	1,212,424
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**13,693,414**	35,777,730
REPRESENTING		
Bank balances and cash	**15,360,090**	36,558,588
Bank overdrafts	**(1,666,676)**	(780,858)
	13,693,414	35,777,730

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with limited liability on 9 December 1993. Its parent is Alpha Luck Industrial Limited ("Alpha Luck") (incorporated in Hong Kong with limited liability) and its ultimate holding company is China North Industries Corporation ("CNIC"), a state-owned enterprise established in the People's Republic of China (the "PRC").

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 18 August 2004 ("Listing Date"). The registered office of the Company is situated at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, and the principal place of business of the Company is situated at 63 Huan Shi Road South, Information Technology Park, Nansha District, Guangzhou City, the PRC.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public limited company in Hong Kong with its shares listed on the GEM of the Stock Exchange.

The Company is an investment holding company and is also engaged in sourcing of raw materials and equipment for its subsidiaries and trading of flexible printed circuit ("FPC"). Its subsidiaries are principally engaged in manufacture and sale of FPC and sourcing of electronic components and electronic modules.

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

In the current year, the Group and the Company have applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 24 (Revised)	Related party disclosures
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of financial statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 "Operating segments"

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. However, the adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 5).

In addition, HKAS 24 (Revised) has been adopted in the current year in advance of its effective date (effective for annual periods beginning on or after 1 January 2011).

HKAS 24 (Revised) "Related party disclosures"

The amendments to HKAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party. The previous version of HKAS 24 contained no specific exemption for government-related entities. As a result, the amendments to HKAS 24 provide a partial exemption from the disclosure requirements of HKAS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements of HKAS 24 in relation to related party transactions and outstanding balances (including commitments) with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The amendments to HKAS 24 also simplify the definition of a related party, clarify the intended meaning and eliminate a number of inconsistencies.

The adoption of HKAS 24 has had no material effect on the consolidated financial statements of the Group for the current or prior period.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group'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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. 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 statement of comprehensive income 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 in line with those used by other members of the Group.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Interest in a jointly controlled entity

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

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

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

Service income is recognised when services are provided.

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

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives from the date on which they are in the manner of intended use and after taking into account their estimated residual values, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. It is not depreciated until completion of construction and the asset is in the manner of intended use. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Prepaid lease payments

Payments for obtaining land use rights is considered as operating lease payment and recognised as an expense over the period of the right using a straight-line basis.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those asset until such time as 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's and the Company's financial assets are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, bills receivables, amount due from a subsidiary, amount due from a jointly controlled entity, pledged bank deposits and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Effective interest method

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

Interest income is recognised on an effective interest basis.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, bills payables, amounts due to subsidiaries, amount due to a fellow subsidiary, loans from an intermediate holding company, amount due to a jointly controlled entity, loan from a minority shareholder of a subsidiary, loan from ultimate holding company, borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Equity instruments

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is determined as the estimated selling price less all further costs of production and the related costs of marketing, selling and distribution.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 asset to be recovered.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purposes of presenting consolidated financial statements in Hong Kong dollars, the assets and liabilities of the group entities are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified in other comprehensive income and accumulated in equity (the translation reserve). Translation differences relating to a foreign operation are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to directors and employees of the Company (Continued)

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

Share options granted to other suppliers of goods and services

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits contributions

Payments to defined contribution retirement benefits schemes and state-managed retirement benefit schemes are charged as an expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, directors of the Company are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment. The estimated useful lives are based on the expected lifespan of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment are different from their estimated useful lives due to the change of commercial and technological environment, such differences will cause an impact on the depreciation charges and the amounts of assets written down for future periods.

The carrying amount of property, plant and equipment for the Group and the Company as at 31 December 2009 are HK$146,609,580 and HK$59,326 (2008: HK$134,018,842 and HK$88,012) respectively.

Allowance for doubtful debts

The management regularly reviews the recoverability and aging of the trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Allowance for doubtful debts is made based on the estimation of the future cash flow discounted at the financial assets original effective interest rate to calculate the present value. Where the actual future cash flows and expectation is different from the original estimate, such difference will cause an impact on carrying amounts of trade receivables and doubtful debts expenses in the year in which such estimate is changed.

The carrying amount of trade debtors at 31 December 2009 for the Group and the Company are HK$51,161,477 (2008:HK$37,960,073), net of allowance for doubtful debts of HK$11,590,338 (2008: HK$12,222,532) and HK$19,434,123 (2008: HK$14,917,451), net of allowance for doubtful debts of HK$508,488 (2008: HK$166,061) respectively.

Allowance for obsolete inventories

The management of the Group reviews an aged analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. If the net realisable value of inventories is estimated to be less than its carrying amount, the carrying amount of the inventories is reduced to its net realisable value.

The carrying amount of inventories for the Group as at 31 December 2009 is HK$21,497,537 (2008: HK$27,333,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for the sales of FPC and electronic components for surface mount technology and electronic modules for liquid crystal display module ("LCM") to external customers, net of discounts and sales related taxes.

Application of HKFRS 8 "Operating segments"

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For management purposes, the Group is currently organised into two operating divisions, namely the manufacture and sale of FPC and the sourcing and sale of electronic components and electronic modules. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

FPC business	–	the manufacture and sale of FPC
Sourcing and sale of electronic components and electronic modules	–	the sourcing and sale of electronic components for surface mount technology and electronic modules for LCM

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Segment revenue		Segment profit (loss)	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
FPC business	**142,388,666**	145,209,827	**33,320,863**	(17,231,477)
Sourcing and sale of electronic components and electronic modules	**125,141,846**	232,984,307	**54,486**	504,243
Total	**267,530,512**	378,194,134	**33,375,349**	(16,727,234)
Interest income			**93,670**	289,063
Share of result of a jointly controlled entity			**(3,040,780)**	10,200,962
Central administration costs			**(11,946,726)**	(14,236,151)
Finance costs			**(933,218)**	(1,058,753)
Profit (loss) before taxation			**17,548,295**	(21,532,113)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: nil).

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administration costs, share of result of a jointly controlled entity, interest income and finance costs. This is the measure reported to the Executive Directors, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Segment assets

	2009 HK$	2008 HK$
FPC business	**314,628,161**	258,255,061
Sourcing and sale of electronic components and electronic modules	**17,575,480**	11,606,580
Total segment assets	**332,203,641**	269,861,641
Interest in a jointly controlled entity	**20,753,851**	29,097,380
Unallocated assets	**17,713,233**	39,128,840
Consolidated assets	**370,670,725**	338,087,861

Segment liabilities

	2009 HK$	2008 HK$
FPC business	**87,461,150**	73,588,419
Sourcing and sale of electronic components and electronic modules	**934,237**	10,928,120
Total segment liabilities	**88,395,387**	84,516,539
Unallocated liabilities	**99,664,319**	89,760,487
Consolidated liabilities	**188,059,706**	174,277,026

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than pledged bank deposit, bank balances and cash, interest in a jointly controlled entity and tax recoverable.

– all liabilities are allocated to reportable segments other than loan from a jointly controlled entity, loans from a minority shareholder of a subsidiary, loans from an intermediate holding company, loans from ultimate holding company, borrowings, bank overdrafts and current and deferred tax liabilities.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

2009

Amounts included in the measure of segment profit or loss or segment assets:

	FPC business HK$	Sourcing and sale of electronic components and electronic modules HK$	Total HK$
Bad debt directly written off	68,168	–	68,168
Reversal of doubtful debts	(687,504)	–	(687,504)
Allowance for obsolete inventories	4,388,789	–	4,388,789
Addition to non-current assets (Note)	32,283,769	2,892,029	35,175,798
Amortisation of prepaid lease payments	1,202,585	–	1,202,585
Depreciation	11,879,714	402,304	12,282,018
Government compensation for factory relocation	(58,018,544)	–	(58,018,544)
Factory relocation costs	21,411,502	–	21,411,502
Research and development expenses	7,578,434	56,866	7,635,300

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	FPC business HK$	Sourcing and sale of electronic components and electronic modules HK$	Total HK$
Interest in a joint controlled entity	–	20,753,851	20,753,851
Share of loss of a jointly controlled entity	–	3,040,780	3,040,780
Interest income	(92,408)	(1,262)	(93,670)
Interest expenses	933,218	–	933,218
Income tax expenses	–	598,370	598,370
Net foreign exchange losses	557,885	4,394	562,279

Note: Non-current assets represent property, plant and equipment and prepaid lease payments.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

2008

Amounts included in the measure of segment profit or loss or segment assets:

	FPC business HK$	Sourcing and sale of electronic components and electronic modules HK$	Total HK$
Allowance for doubtful debts	2,466,388	–	2,466,388
Allowance for obsolete inventories	4,928,097	–	4,928,097
Addition to non-current assets (Note)	80,214,328	–	80,214,328
Amortisation of prepaid lease payments	958,047	–	958,047
Depreciation	9,787,255	–	9,787,255
Research and development expenses	7,852,085	–	7,852,085

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	FPC business HK$	Sourcing and sale of electronic components and electronic modules HK$	Total HK$
Interest in a joint controlled entity	–	29,097,380	29,097,380
Share of profit of a joint controlled entity	–	(10,200,962)	(10,200,962)
Interest income	(282,207)	(6,856)	(289,063)
Interest expenses	1,058,753	-	1,058,753
Income tax expenses	–	2,456	2,456
Net foreign exchange losses	2,265,165	10,594	2,275,759

Note: Non-current assets represent property, plant and equipment and prepaid lease payments.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in two principal geographical areas - the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong (country of domicile). The following table provides an analysis of the Group's revenue from external customers by geographical location:

	Revenue from external customers	
	2009	2008
	HK$	HK$
PRC other than Hong Kong	**96,922,538**	86,224,892
Hong Kong	**145,839,756**	272,972,768
Others	**24,768,218**	18,996,474
	267,530,512	378,194,134

Substantially all of the Group's non-current assets, including property, plant and equipment, prepaid lease payments and interest in a jointly controlled entity, are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009	2008
	HK$	HK$
Customer A[1]	**56,039,175**	–[2]
Customer B[1]	**45,716,447**	192,621,646

1 Revenue from sourcing and sale of electronic components.

2 The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. OTHER INCOME

	2009	2008
	HK$	HK$
Government compensation for factory relocation (Note)	**58,018,544**	–
Income from leasing equipment to a jointly controlled entity	**614,055**	595,304
Commission income	**185,125**	–
Interest income	**93,670**	289,063
Gain on disposal of property, plant and equipment	**1,276**	39
Others	**44,006**	65,978
	58,956,676	950,384

Note: The amount represents compensation received/receivable pursuant to a notice dated 6 May 2009 issued by the relevant PRC government authority as a result of the requisition (the "Requisition") of the land leased by the Group from 銀利(廣州)電子電器實業有限公司 (Alpha Luck Electronic & Electric Appliance Industrial (Guangzhou) Ltd.) ("ALI Guangzhou"), a wholly owned subsidiary of Alpha Luck, the controlling shareholder and a substantial shareholder of the Company (details of the Requisition had been disclosed in the Company's Annual Report 2007 and details of the compensation had been disclosed in the Company's announcement dated 7 May 2009). The amount of compensation is determined with reference to the relevant PRC laws and regulations and the valuation prepared by an independent valuer mutually appointed by the PRC government and the Group. The compensation is mainly attributable to the Group's direct factory relocation costs as well as the operating loss incurred during the relocation period. There are no unfulfilled conditions and other contingencies attaching to such compensation. The relocation was completed during the year.

7. FACTORY RELOCATION COSTS

In January 2009, the Group commenced the relocation of one of the Group's production plant in Panyu, PRC to a new production site in Nansha, PRC as a result of the Requisition. The relocation was completed during the year.

Relocation costs incurred are as follows:

	2009 HK$
Removal and transportation expenses (Note a)	6,689,984
Write-off of property, plant and equipment (Note b)	7,096,445
Impairment loss in respect of property, plant and equipment (Note c)	3,873,316
Other expenses incurred (Note d)	3,751,757
	21,411,502

Notes:

(a) The amount includes transportation costs for cars and lorries, installation of existing plant and machinery in the new production plant and consumables and other administrative expenses incurred specifically for the relocation.

(b) The amount represents the write-off of net book value of property, plant and equipment which had been assessed as immovable to the new production plant.

(c) The directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to physical damage after the relocation. Accordingly, an impairment loss of HK$3,873,316 has been recognised in respect of plant and machinery which are used in the "FPC business" operating segment.

(d) The amount includes expenses incurred for test run of production lines in the new production plant.

8. FINANCE COSTS

	2009 HK$	2008 HK$
Interests on:		
Bank borrowings wholly repayable within five years	121,930	92,292
Borrowings from a financial institution wholly repayable within five years	982,440	1,340,342
Other borrowings wholly repayable within five years	192,535	1,324,830
Total borrowing costs	1,296,905	2,757,464
Less: Amounts capitalised	(363,687)	(1,698,711)
	933,218	1,058,753

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 1.07% (2008: 2.06%) per annum to expenditure on qualifying assets.

9. PROFIT (LOSS) BEFORE TAXATION

	2009 HK$	2008 HK$
Profit (loss) before taxation has been arrived at after charging:		
Research and development expenses		
Staff costs	**635,693**	475,255
Other research and development expenses	**6,999,607**	7,707,554
	7,635,300	8,182,809
Less: Amounts reduced by government grants recognised	**–**	(330,724)
	7,635,300	7,852,085
Directors' remuneration (Note 11)	**644,385**	669,515
Other staff costs	**28,606,374**	29,143,624
Other staff's retirement benefits costs	**1,106,124**	1,568,226
Total staff costs	**30,356,883**	31,381,365
Less: Other staff costs included in research and development expenses shown above	**(635,693)**	(475,255)
	29,721,190	30,906,110
Auditor's remuneration	**700,000**	800,000
Amortisation of prepaid lease payments	**1,202,585**	958,047
(Reversal of) allowance for doubtful debts	**(687,504)**	2,466,388
Bad debt directly written off	**68,168**	–
Cost of inventories recognised as an expense (Note)	**232,370,209**	372,682,598
Depreciation of property, plant and equipment	**12,282,018**	9,787,255
Impairment loss in respect of property, plant and equipment (included in factory relocation costs)	**3,873,316**	–
Minimum lease payments under operating leases in respect of land and buildings	**482,062**	3,284,909
Net foreign exchange losses	**562,279**	2,275,759
Shipping and handling expenses (included in distribution costs)	**575,225**	815,108

Note: The amount includes allowance for obsolete inventories of HK$4,388,789 (2008: HK$4,928,097).

10. TAXATION CREDIT (CHARGE)

	2009 HK$	2008 HK$
Current tax:		
Hong Kong Profits Tax	**(48,713)**	(22,545)
PRC withholding tax	**(542,415)**	–
	(591,128)	(22,545)
(Under)overprovision in prior years:		
Hong Kong Profits Tax	**(7,242)**	25,001
Deferred tax:		
Current year (Note 29)	**757,956**	(1,049,721)
	159,586	(1,047,265)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. The income of its PRC subsidiaries neither arises in, nor is derived from, Hong Kong.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each PRC subsidiary and at its applicable tax rate. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulation in the PRC, AKM (Suzhou) FPC Company Limited ("AKM (Suzhou)") is exempted from PRC income tax for two years commenced from 1 January 2008, followed by a 50% reduction for the next three years.

Pursuant to the relevant laws and regulations in the PRC, the applicable PRC Enterprise Income Tax rate for AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") was 24% prior to application of EIT Law and Implementation Regulation as mentioned above. On 31 December 2003, AKM Panyu was awarded the Foreign Invested Advanced-technology Enterprise Certificate by Bureau of Foreign Trade and Economic Co-operation of Guangzhou City. AKM Panyu is entitled for an extension of 50% tax reduction in PRC Enterprise Income Tax up to 31 December 2007. On 16 December 2008, AKM Panyu was awarded the Foreign Invested Advanced-technology Enterprise Certificate. AKM Panyu is entitled for a tax reduction from 25% to 15% for three years commenced from 1 January 2008.

10. TAXATION CREDIT (CHARGE) *(Continued)*

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2009	2008
	HK$	HK$
Profit (loss) before taxation	**17,548,295**	(21,532,113)
Tax at the applicable income tax rate (Note)	**(2,632,244)**	3,229,817
Tax effect of share of result of a jointly controlled entity	**(456,117)**	1,530,144
Tax effect of income that are not taxable in determining taxable profit	**27,240**	74,519
Tax effect of expenses that are not deductible in determining taxable profit	**(126,486)**	(209,586)
Tax effect of deductible temporary differences not recognised	**1,058,128**	(1,108,961)
Tax effect of tax loss not recognised	**(457,678)**	(3,791,068)
(Under) overprovision in prior year	**(7,242)**	25,001
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,429)**	(2,050)
Utilisation of tax losses previously not recognised	**1,291,671**	254,640
Effect of tax concession granted to a PRC subsidiary	**1,251,202**	–
Deferred taxation arising from withholding tax on undistributed profits	**215,541**	(1,049,721)
Taxation credit (charge) for the year	**159,586**	(1,047,265)

Note: AKM Panyu is the Group's major operating subsidiary and, accordingly, its applicable income tax rate is 15% (2008: 15%).

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the seven (2008: seven) directors were as follows:

		Other emoluments		
	Fees	**Salaries and other benefits**	**Pension costs**	**Total emoluments**
	HK$	HK$	HK$	HK$
Xiong Zheng Feng	**–**	**–**	**–**	**–**
Li Ying Hong	**–**	**–**	**–**	**–**
Chai Zhi Qiang	**–**	**470,826**	**12,781**	**483,607**
Han Li Gang	**–**	**–**	**–**	**–**
Liang Zhi Li	**56,639**	**–**	**–**	**56,639**
Li Kung Man (Note)	**47,500**	**–**	**–**	**47,500**
Wang Heng Yi	**56,639**	**–**	**–**	**56,639**
Total for 2009	**160,778**	**470,826**	**12,781**	**644,385**

Note: Resigned on 15 October 2009

		Other emoluments		
	Fees	**Salaries and other benefits**	**Pension costs**	**Total emoluments**
	HK$	HK$	HK$	HK$
Xiong Zheng Feng	–	5,002	–	5,002
Li Ying Hong	–	1,501	–	1,501
Chai Zhi Qiang	–	470,017	20,799	490,816
Han Li Gang	–	–	–	–
Liang Zhi Li	56,098	–	–	56,098
Li Kung Man	60,000	–	–	60,000
Wang Heng Yi	56,098	–	–	56,098
Total for 2008	172,196	476,520	20,799	669,515

For the year ended 31 December 2009, Mr. Xiong Zheng Feng and Ms. Li Ying Hong waived their nominal salary of HK$10 (2008: HK$10) and HK$10 (2008: HK$10) respectively. There are no other directors who had waived their remuneration during the year.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(ii) Employees' remuneration:

Of the five individuals with the highest emoluments in the Group, one (2008: one) was director of the Company whose emoluments are included in the disclosures in Note 11(i) above. The emoluments of remaining four (2008: four) individuals were as follows:

	2009 HK$	2008 HK$
Salaries, allowances and other benefits	**1,452,556**	1,546,786
Pension costs	**85,522**	24,875
Performance related incentive payments	**500,341**	103,945
	2,038,419	1,675,606

Remuneration of each of the employees for both years falls within the band of less than HK$1,000,000.

During the year, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was paid or proposed during both year 2008 and 2009, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	2009 HK$	2008 HK$
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	**18,339,436**	(24,893,938)

	Number of shares	
	2009	2008
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	**540,000,000**	540,000,000

The diluted earnings per share for the year ended 31 December 2009 is not presented as it does not assume the exercise of share options because their respective exercise prices were higher than the average market price of shares of the Company.

The diluted loss per share for the year ended 31 December 2008 is not presented as the exercise of the outstanding share options would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$	Plant and machinery HK$	Leasehold improvements HK$	Office equipment HK$	Motor vehicles HK$	Construction in progress HK$	Total HK$
COST							
At 1 January 2008	1,103,886	127,458,726	7,727,085	7,983,346	2,993,451	18,656,744	165,923,238
Additions	–	4,817,719	283,487	1,544,084	271,668	42,125,012	49,041,970
Disposals	–	–	–	(36,244)	(680,518)	–	(716,762)
Currency realignment	63,991	7,264,174	449,550	509,693	133,210	4,594,928	13,015,546
At 31 December 2008	1,167,877	139,540,619	8,460,122	10,000,879	2,717,811	65,376,684	227,263,992
Additions	–	11,007,326	2,275,967	6,799,170	89,878	15,003,457	35,175,798
Transfer from construction in progress	63,075,668	17,288,285	–	–	–	(80,363,953)	–
Write-off	–	(37,954,384)	(7,148,602)	(1,799,006)	–	–	(46,901,992)
Disposals	–	–	–	(10,121)	(182,170)	–	(192,291)
Currency realignment	163,918	637,331	28,691	61,966	10,687	156,552	1,059,145
At 31 December 2009	64,407,463	130,519,177	3,616,178	15,052,888	2,636,206	172,740	216,404,652
DEPRECIATION							
At 1 January 2008	16,558	66,953,150	7,122,875	3,266,586	2,211,089	–	79,570,258
Provided for the year	20,429	7,623,917	323,808	1,534,440	284,661	–	9,787,255
Eliminated on disposals	–	–	–	(24,691)	(612,466)	–	(637,157)
Currency realignment	1,553	3,776,196	423,670	233,164	90,211	–	4,524,794
At 31 December 2008	38,540	78,353,263	7,870,353	5,009,499	1,973,495	–	93,245,150
Provided for the year	871,891	8,962,473	320,703	1,931,505	195,446	–	12,282,018
Impairment loss recognised in profit or loss	–	3,873,316	–	–	–	–	3,873,316
Eliminated on write-off	–	(31,104,089)	(7,148,602)	(1,552,856)	–	–	(39,805,547)
Eliminated on disposals	–	–	–	(3,460)	(163,953)	–	(167,413)
Currency realignment	2,377	310,885	21,570	25,367	7,349	–	367,548
At 31 December 2009	912,808	60,395,848	1,064,024	5,410,055	2,012,337	–	69,795,072
CARRYING VALUES							
At 31 December 2009	63,494,655	70,123,329	2,552,154	9,642,833	623,869	172,740	146,609,580
At 31 December 2008	1,129,337	61,187,356	589,769	4,991,380	744,316	65,376,684	134,018,842

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of the estimated residual values at the following rates per annum:

Buildings	Over the shorter of the term of the lease, and 40 – 50 years
Plant and machinery	5 – 15 years
Leasehold improvements	Over the remaining term of the lease or 4 years, whichever is shorter
Office equipment	5 years
Motor vehicles	4 – 5 years

The Group has pledged buildings with carrying amount of approximately HK$62,381,421 (2008: nil) to secure general banking facilities granted to the Group.

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

The buildings are located on land under medium-term lease in the PRC.

THE COMPANY

	Office equipment HK$	Motor vehicles HK$	Total HK$
COST			
At 1 January 2008	80,686	490,680	571,366
Addition	97,418	–	97,418
Disposal	(16,524)	–	(16,524)
At 31 December 2008 and 31 December 2009	**161,580**	**490,680**	**652,260**
DEPRECIATION			
At 1 January 2008	51,215	490,680	541,895
Provided for the year	31,992	–	31,992
Eliminated on disposal	(9,639)	–	(9,639)
At 31 December 2008	73,568	490,680	564,248
Provided for the year	28,686	–	28,686
At 31 December 2009	**102,254**	**490,680**	**592,934**
CARRYING VALUES			
At 31 December 2009	**59,326**	**–**	**59,326**
At 31 December 2008	88,012	–	88,012

15. PREPAID LEASE PAYMENTS

	2009 HK$	2008 HK$
The Group's prepaid lease payments comprise:		
Land in PRC:		
Medium term lease	**57,721,144**	58,639,298
Analysed for reporting purposes as:		
Current assets	**1,205,600**	1,199,720
Non-current assets	**56,515,544**	57,439,578
	57,721,144	58,639,298

The prepayment for land use rights is under medium term lease and is amortised over 50 years on a straight line basis.

The Group has pledged the land in PRC having a net book value of approximately HK$20,126,190 (2008: HK$20,451,140) to secure general banking facilities granted to the Group.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2008 and 2009, the Group had interest in the following jointly controlled entity:

Name of entity	Place of establishment and operation	Form of business structure	Registered capital	Paid-up capital	Proportion of registered capital held by the Group	Principal activities
Shenzhen Smart Electronics Co. Ltd. 深圳思碼特電子有限公司 ("Shenzhen Smart")	The PRC	Sino-foreign equity joint venture	HK$30,000,000 (2008: HK$30,000,000)	HK$30,000,000 (2008: HK$30,000,000)	53% (2008: 53%)	Provision of surface mount technology service

	2009 HK$	2008 HK$
Cost of unlisted investment in a jointly controlled entity	**17,815,744**	17,728,839
Share of post-acquisition profit and other comprehensive income, net of dividend received	**2,938,107**	11,368,541
	20,753,851	29,097,380

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

The Group holds 53% (2008: 53%) of the registered capital of Shenzhen Smart. The board of directors of Shenzhen Smart comprises four directors appointed by the Group and three directors appointed by the other shareholders. However, under the shareholders' agreement, all the resolutions have to be passed with approval by two-third directors of the board of directors. Accordingly, Shenzhen Smart is jointly controlled by the Group and the other significant shareholder. Therefore, Shenzhen Smart is classified as a jointly controlled entity of the Group.

The summarised financial information in respect of the Group's interest in a jointly controlled entity is set out below:

	2009	2008
	HK$	HK$
Current assets	**14,936,498**	25,001,331
Non-current assets	**17,623,736**	11,271,559
Current liabilities	**11,806,383**	7,175,510
Income	**22,850,797**	22,300,773
Expenses	**25,891,577**	12,099,811

17. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	2009	2008
	HK$	HK$
THE COMPANY		
Capital contribution, at cost	**223,209,867**	219,954,447
Impairment loss recognised	**(22,000,000)**	(22,000,000)
	201,209,867	197,954,447

The Company also has amounts due from subsidiaries of HK$5,286,025 (2008: HK$2,742,500) included in current assets and amounts due to subsidiaries of HK$27,472,383 (2008: HK$15,541,190) included in current liabilities. Impairment loss recognised in respect of interests in subsidiaries and amounts due from subsidiaries as at 31 December 2009 amount to HK$22,000,000 (2008: HK$22,000,000) and HK$4,000,000 (2008: HK$4,000,000) respectively.

17. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES (Continued)

Included in the amount due from subsidiaries are trade receivables net of allowance for doubtful debts with balance of HK$108,750 (2008: nil) which are trade in nature and aged within 90 days. The Company allows a credit period of 90 days to its subsidiaries. The balance is not pass due at the reporting date. The remaining amount is unsecured, interest-free, repayable on demand and expected to be recovered within 12 months.

Included in the amounts due to subsidiaries are trade payables with balance of HK$27,472,383 (2008: HK$14,441,387) which are trade in nature and aged within 90 days. The remaining amount is unsecured, interest-free and repayable on demand.

At the end of the reporting period, impairment loss recognised in respect of interests in subsidiaries was based on its value in use calculation and measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the expected rate of return of the investments in subsidiaries. The discount rate used in estimating the present value of the future cash flows from the investments in subsidiaries was 7.5% (2008: 7.5%). Due to the continuance of operating losses of the subsidiaries, impairment losses in respect of interests in subsidiaries and amounts due from subsidiaries were made.

Details of the Company's subsidiaries as at 31 December 2009 and 31 December 2008 are as follows:

Name of subsidiary	Place of establishment and operation	Form of business structure	Paid-up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
AKM Electronics Industrial (Panyu) Limited 安捷利(番禺)電子實業有限公司	The PRC	Wholly owned-foreign enterprise	US$21,700,000 (2008: US$21,700,000)	100%	–	Manufacture and sale of FPC
AKM (Suzhou) FPC Company Limited 安捷利(蘇州)柔性電路板有限公司	The PRC	Wholly owned-foreign enterprise	US$2,642,460 (2008: US$2,642,460)	100%	–	Manufacture and sale of FPC
Ever Proven Investments Limited	British Virgin Islands/ Hong Kong	International business company	US$100 (2008: US$100)	75%	–	Investment holding
New Career Guangzhou Electronics Company Limited 廣州安旭特電子有限公司 (Formerly known as "Guangzhou AKM Flexible Printed Circuits Research Developing Limited 廣州市安捷利柔性電路研究開發有限公司")	The PRC	Wholly owned-foreign enterprise	US$549,000 (2008: HK$1,000,000)	100%	–	Sourcing and sale of electronic modules
AKM Electronic Technology (Suzhou) Company Limited 安捷利電子科技(蘇州)有限公司	The PRC	Wholly owned-foreign enterprise	US$4,520,000 (2008: US$4,520,000)	100%	–	Manufacture and sale of FPC
Giant Rise Technology Limited 嘉升科技有限公司	Hong Kong	Limited company	HK$1,000,000 (2008: HK$1,000,000)	–	75%	Trading of raw materials and FPC, sourcing and sale of electronic components

None of the subsidiaries had issued any debt securities at the end of the year.

18. INVENTORIES

	THE GROUP	
	2009	2008
	HK$	HK$
Raw materials	**13,646,994**	15,298,502
Work in progress	**5,373,169**	6,856,388
Finished goods	**2,477,374**	5,178,110
	21,497,537	27,333,000

19. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

Trade and other receivables and bills receivables include the following balances of trade and bills receivables:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Trade and bills receivables	**64,980,171**	55,506,171	**19,942,611**	15,083,512
Less: Allowance for doubtful debts	**(11,590,338)**	(12,222,532)	**(508,488)**	(166,061)
	53,389,833	43,283,639	**19,434,123**	14,917,451
Government compensation receivable (Note a)	**46,531,243**	–	**–**	–
Other receivables (Note b)	**6,454,304**	3,573,541	**3,256,539**	6,686
	106,375,380	46,857,180	**22,690,662**	14,924,137

Notes:

(a) The amount represents government compensation receivable as a result of requisition of the land leased by the Group as disclosed in notes 6 and 7. In the opinion of the directors, the amount is expected to be recovered within 12 months.

(b) The amount mainly represents the advances to suppliers and other tax recoverable. In the opinion of the directors, the amount is expected to be utilised within next 12 months.

The Group and the Company allow a credit period normally ranging from 30 to 90 days to its trade customers. At the discretion of the directors, several major customers were allowed to settle their balances beyond the credit terms up to 120 days.

19. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES *(Continued)*

The following is an aged analysis of trade and bills receivables presented based on the invoice date (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Within 30 days	**20,247,966**	13,166,791	**5,577,997**	3,289,022
31 – 60 days	**14,429,708**	8,810,076	**4,810,155**	4,008,101
61 – 90 days	**9,650,595**	12,896,912	**5,141,839**	4,722,278
91 – 120 days	**6,710,397**	4,422,562	**3,185,328**	2,435,090
121 days – 1 year	**2,351,167**	3,439,065	**718,804**	462,788
Over 1 year	**–**	548,233	**–**	172
	53,389,833	43,283,639	**19,434,123**	14,917,451

The management has delegated a team responsible to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Approximately 80% (2008: 67%) and 71% (2008: 54%) of the Group's and the Company's trade receivables respectively that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring used by the Group and the Company.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$10,114,756 (2008: HK$13,067,115) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 114 days (2008: 147 days).

Included in the Company's trade receivable balance are debtors with aggregate carrying amount of HK$5,617,203 (2008: HK$6,808,987) which are past due at the reporting date for which the Company has not provided for impairment loss. The Company does not hold any collateral over these balances. The average age of these receivables is 99 days (2008: 84 days).

Ageing of trade receivables presented based on the invoice date which are past due but not impaired

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
0 – 30 days	**545,999**	797,722	**545,999**	797,722
31 – 60 days	**1,397,949**	1,047,635	**1,283,065**	1,047,635
61 – 90 days	**990,313**	3,657,133	**194,340**	2,155,429
91 – 120 days	**5,397,273**	3,634,280	**2,874,995**	2,432,940
121 days – 1 year	**1,783,222**	3,382,112	**718,804**	375,089
Over 1 year	**–**	548,233	**–**	172
	10,114,756	13,067,115	**5,617,203**	6,808,987

19. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Balance at beginning of the year	**12,222,532**	9,406,519	**166,061**	167,175
Impairment losses recognised on receivables	**2,427,592**	2,466,388	**342,320**	–
Amounts written off as uncollectible	**–**	(237,018)	**–**	–
Amounts recovered during the year	**(3,115,096)**	–	**–**	–
Currency realignment	**55,310**	586,643	**107**	(1,114)
Balance at end of the year	**11,590,338**	12,222,532	**508,488**	166,061

Included in the Group's and the Company's allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$11,590,338 and HK$508,488 (2008: HK$12,222,532 and HK$166,061) respectively which have either been placed under liquidation or in severe financial difficulties.

The Group's and the Company's trade and other receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
United States Dollar ("USD")	**29,175,854**	21,604,074	**19,434,123**	14,924,137

20. AMOUNT DUE FROM (TO) A JOINTLY CONTROLLED ENTITY

Amount due from a jointly controlled entity was trade in nature and was unsecured, interest free and aged within 60 days. The Group allows a credit period of 60 days to its jointly controlled entity. The balance was not past due at 31 December 2008.

Amount due to a jointly controlled entity is trade in nature and is unsecured, interest-free and aged within 60 days.

21. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure short-term banking facilities granted to the Group and the Company and are therefore classified as current assets.

The pledged bank deposits of the Group and the Company carried fixed interest rate ranged from 0.02% to 0.6% per annum (2008: 0.6% to 1.2% per annum). The pledged bank deposits will be released upon settlement of the relevant bank borrowings. The pledged bank deposits are denominated in HKD.

22. TRADE AND OTHER PAYABLES/BILLS PAYABLES

Trade and other payables and bills payables include the following balances:

	THE GROUP		**THE COMPANY**	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Trade and bills payables	**32,133,048**	45,288,628	**1,322,707**	1,465,418
Payables for acquisition of property, plant and equipment	**8,347,974**	–	**–**	–
Accrued staff costs	**5,024,200**	2,406,215	**–**	–
Other payables and accruals	**4,498,379**	3,196,194	**865,966**	1,409,187
	50,003,601	50,891,037	**2,188,673**	2,874,605

The following is an aged analysis by invoice date (bills issued date for bills payable) of trade and bills payables at the end of the reporting period:

	THE GROUP		**THE COMPANY**	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Within 30 days	**11,196,767**	18,359,644	**584,068**	1,221,875
31 – 60 days	**10,512,421**	14,451,708	**226,834**	243,543
61 – 90 days	**8,498,384**	8,153,084	**39,551**	–
91 – 120 days	**707,838**	3,116,262	**293,874**	–
121 days – 1 year	**437,592**	588,605	**–**	–
Over 1 year	**780,046**	619,325	**178,380**	–
	32,133,048	45,288,628	**1,322,707**	1,465,418

22. TRADE AND OTHER PAYABLES/BILLS PAYABLES *(Continued)*

The Group's and the Company's trade and other payables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
USD	**6,867,325**	20,414,229	**1,322,707**	1,884,679

23. DEFERRED INCOME

	THE GROUP	
	2009	2008
	HK$	HK$
Government grants received in respect of:		
Development of new products (Note 1)	**3,305,974**	340,329
Construction of factory on existing lands (Note 2)	**30,494,756**	30,346,001
	33,800,730	30,686,330
Less: Amounts to be recognised in profit or loss in the following year	**(3,305,974)**	(340,329)
Amount shown under non-current liabilities	**30,494,756**	30,346,001

Notes:

(1) The amounts represent government subsidies received in advance in relation to research and development expenses on certain new products. The amounts will be recognised in the same period as the related research and development expenses are incurred and are deducted in reporting the related research and development expenses. During the year ended 31 December 2009, since the conditions attaching to these new products development projects have not yet been met, no deferred income has been recognised as income. During the year ended 31 December 2008, it had resulted in a credit to profit or loss of HK$330,724.

(2) The amount was received in respect of a development support fund for the construction of factory on the lands owned by the Group located at Suzhou pursuant to "Implementation Measures for Development Support Policies for Advanced Manufacturing Industries in Suzhou Guoxin District". The amount will be released over the estimated useful lives of the constructed factory upon the commencement of operation of the new factory. As the condition was not yet fulfilled in the current year, no amount is released to profit or loss. Details in relation to the grant of the fund had been disclosed in the announcement of the Company dated 25 September 2008.

24. AMOUNT DUE TO A FELLOW SUBSIDIARY/LOANS FROM AN INTERMEDIATE HOLDING COMPANY

THE GROUP

Amount due to a fellow subsidiary is unsecured, interest-free, and repayable on demand.

THE GROUP AND THE COMPANY

Unsecured loans from an intermediate holding company comprise:

	2009	2008
	HK$	HK$
Loan of USD2 million (Note a)	**15,510,000**	15,604,000
Loan of USD3 million (Note b)	**23,265,000**	23,146,000
	38,775,000	38,750,000

Notes:

(a) As at 31 December 2008, the loan was unsecured, bearing interest at London Interbank Offer Rate less 1% and repayable in full in July 2010. During the year ended 31 December 2009, a supplemental agreement was signed to change the terms of the loan to unsecured, interest-free and repayable in full in July 2011.

(b) As at 31 December 2008, the loan was unsecured, bearing interest at USD prime rate less 0.25% and repayable in full in July 2010. During the year ended 31 December 2009, a supplemental agreement was signed to change the terms of the loan to unsecured, interest-free and repayable in full in July 2011.

25. BORROWINGS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Borrowings which are repayable within one year comprise the following:				
Loans from a financial institution – secured	**–**	33,806,013	**–**	–
Bank borrowings – secured	**47,049,386**	–	**1,449,751**	–
Trust receipts loans – secured	**1,690,841**	1,156,939	**1,690,841**	1,156,939
	48,740,227	34,962,952	**3,140,592**	1,156,939

Loans from a financial institution and bank borrowings are secured by charges over the land use rights, building and bank deposits of the Group and the bank deposits of the Company while the trust receipts loans are secured by charges over the Group's and the Company's bank deposits (Note 35).

At 31 December 2009, included in the bank borrowings of the Group of HK$45,599,635 bear interest at fixed rates and will be repayable between February and May 2010. The remaining bank borrowings and the trust receipts loans carry prevailing market rate. The bank borrowings and the trust receipts loans of the Company carry prevailing market rate.

At 31 December 2008, the loans from a financial institution of the Group borne interest at fixed rates and were repayable between May and June 2009 while the trust receipts loans carried prevailing market rate. The bank borrowings and the trust receipts loans of the Company carried prevailing market rate.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's and the Company's borrowings are as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
Effective interest rates:				
Fixed-rate borrowings	**3.65% to 5.22%**	4.21% to 5.22%	**–**	–
Variable-rate borrowings	**3.25%**	5.30%	**3.25%**	5.30%

The Group's and the Company's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
USD	**2,336,263**	1,156,939	**2,336,263**	1,156,939

26. LOAN FROM A JOINTLY CONTROLLED ENTITY/MINORITY SHAREHOLDER OF A SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

27. BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank balances and cash

Bank balances comprise short-term bank deposits with original maturity less than three months which carry interest rates ranging from 0.01% to 1.5% (2008: 0.01% to 1.5%) per annum.

Included in the Group's bank balances are the short-term deposits of HK$15,184,281 (2008: HK$12,125,993) kept in banks registered in the PRC and nil (2008: HK$24,285,200) kept in a financial institution registered in the PRC and which are subjected to exchange control. The Company had no short-term bank deposits (2008: HK$3,020) kept in banks registered in the PRC.

In addition, included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
USD	**2,622,818**	3,060,977	**22,459**	1,552

Bank overdrafts

Bank overdrafts are secured by pledged bank deposits and carry interest at market rates of 4% per annum (2008: 4% to 7.5% per annum). The balances are denominated in USD.

28. LOAN FROM ULTIMATE HOLDING COMPANY

The amount represents an interest-free and unsecured loan of RMB4,000,000 which is obtained by AKM Panyu (a wholly owned subsidiary of the Group) from CNIC for the development of a project. The loan is repayable on demand.

29. DEFERRED TAXATION

The following deferred tax liability mainly arising from withholding tax on the undistributed profits of the PRC subsidiaries and the PRC jointly controlled entity for the year ended 31 December 2009 and movement thereon during current and prior years:

	HK$
At 1 January 2008	–
Charged to profit or loss	1,049,721
At 31 December 2008	1,049,721
Credited to profit or loss	(757,956)
Currency realignment	3,023
At 31 December 2009	294,788

At 31 December 2009, the Group has credited HK$ 542,415 and HK$304,078 to profit or loss due to the distribution of dividend and loss incurred for the year which have reduced the undistributed profits of the PRC jointly controlled entity respectively. In addition, the Group has recognised a deferred tax expense of HK$ 88,537 which is arisen from the undistributed profits of a PRC subsidiary which starts to generate profits during the year.

At 31 December 2008 and 2009, the deductibility of the allowance for doubtful debts, allowance for obsolete inventories and impairment loss in respect of property, plant and equipment for taxation purpose and unused tax loss have not been agreed with the local tax bureau in the PRC. Since it is not probable that the deductible temporary differences and unused tax loss can be utilised in the foreseeable future, deferred tax asset in respect of accumulated allowance for doubtful debts, accumulated allowance for obsolete inventories, impairment loss in respect of property, plant and equipment and unused tax loss of approximately HK$10,682,000 (2008: HK$11,713,000), HK$15,886,000 (2008: HK$25,782,000), HK$3,873,000 (2008: nil) and HK$45,565,000 (2008: HK$51,125,000) respectively have not been recognised in the consolidated financial statements.

30. SHARE CAPITAL

	Number of shares	**Share capital** HK$
Authorised:		
At 31 December 2008 and 31 December 2009	2,000,000,000	200,000,000
Issued and fully paid:		
At 31 December 2008 and 31 December 2009	540,000,000	54,000,000

31. SHARE OPTIONS

Pursuant to written resolutions of the then shareholders of the Company on 6 August 2004, the Company adopted both a Pre-IPO share option scheme (the "Pre-IPO Scheme") and a share option scheme (the "Scheme").

(a) Pre-IPO Scheme

The purpose of the Pre-IPO Scheme is to, amongst others, give the participants an opportunity to have a personal stake in the Company and help motivate the participants to optimise their performance and efficiency and retain the participants whose contributions are important to the long-term growth and profitability of the Group.

The HK$0.40 exercise price per share of the above share options granted under the Pre- IPO Scheme is the same as the initial public offering price of the Company's shares. No share options under the Pre-IPO Scheme were exercised since the date of grant and up to 31 December 2009, and there were 800,000 (2008: 600,000) share options lapsed during this year.

No further share options have been offered or granted under the Pre-IPO Scheme upon the commencement of listing of the Company's shares.

These grants under the Pre-IPO Scheme are exercisable, starting from the first anniversary of the Listing Date at stepped annual increments of 25% of the total options granted, for a period of not later than 10 years from the date of grant on the condition that the participants are still under employment of the Company.

The total number of shares in respect of which share options are issuable under the Pre-IPO Scheme shall not in aggregate exceed 5% of the number of issued shares.

As at 31 December 2009, the total number of shares in respect of which share options are issuable under this scheme is 11,400,000 (2008: 12,200,000) representing approximately 2.11% (2008: 2.26%) of the issued share capital of the Company.

31. SHARE OPTIONS *(Continued)*

(a) Pre-IPO Scheme *(Continued)*

Details of the movements in the number of share options during the year under the Pre-IPO Scheme are as follows:

Type of participants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
Directors	6 August 2004	18 August 2005 to 6 August 2014	0.40	5,400,000	–	5,400,000	–	5,400,000
Employees	6 August 2004	18 August 2005 to 6 August 2014	0.40	7,400,000	(600,000)	6,800,000	(800,000)	6,000,000
				12,800,000	(600,000)	12,200,000	(800,000)	11,400,000

The number of share options granted expected to vest has been reduced to reflect the forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

The estimated fair value of the options granted on 6 August 2004 is HK8 cents per share. The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Share price	HK$0.4
Exercise price	HK$0.4
Expected volatility	31%
Expected life	10 years
Risk-free rate	4.28%
Expected dividend yield	5.46%

No expected volatility of the Company can be obtained since the options were granted before the Company's Listing Date. Instead, expected volatility was determined by using the historical volatility of another listed company's share price over the previous twelve months. In the opinion of the directors, that listed company is operated in the same industry of the Group with similar risks and return.

The Group recognised total expenses of HK$32,013 related to equity-settled share-based payment transactions in prior year.

31. SHARE OPTIONS *(Continued)*

(b) Scheme

The purpose of the Scheme is to provide incentives or rewards to Participants (as defined below) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Company or any of its subsidiaries holds any equity interest (the "Invested Entity").

The directors may, at their discretion, invite any participant (the "Participant") being any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider, any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any Invested Entity or any discretionary trust whose discretionary objects may be any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider, any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any Invested Entity to take up options to subscribe for shares in the Company.

The Scheme commenced on 18 August 2004, being the date on which the Scheme becomes unconditional, and continues in force until the tenth anniversary of such date.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares in issue from time to time (the "Scheme Limit").

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Company's shares in issue as at the Listing Date (excluding any options which have lapsed) (the "Scheme Mandate Limit"). The initial number of shares issuable under the Scheme Mandate Limit will be 54,000,000 shares, representing 10% of the issued share capital of the Company.

Unless approved by shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a Participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the Company's shareholders in general meeting with such Participant and his associates abstaining from voting.

31. SHARE OPTIONS *(Continued)*

(b) Scheme *(Continued)*

The exercise price must be at least the highest of: (a) the nominal value of the Company's share on the date of grant; (b) the closing price of the Company's share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; and (c) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

A nominal consideration of HK$10 is payable by the grantee upon acceptance of an option.

Share options are vested immediately on the date of grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which a share option must be held.

As at 31 December 2009, the total number of shares in respect of which share options are issuable under this scheme is 21,400,000 (2008: 29,000,000) representing approximately 3.96% (2008: 5.37%) of the issued share capital of the Company.

Details of the movements in the number of share options during the year under the Scheme are as follows:

Exercise participants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
Directors	9 July 2007	10 July 2007 to 9 July 2017	0.36	10,000,000	–	10,000,000	(800,000)	9,200,000
Employees and others	9 July 2007	10 July 2007 to 9 July 2017	0.36	21,700,000	(2,700,000)	19,000,000	(6,800,000)	12,200,000
				31,700,000	(2,700,000)	29,000,000	(7,600,000)	21,400,000

32. RESERVES

	Share premium HK$	Share options reserve HK$	Retained profits HK$	Total HK$
THE COMPANY				
At 1 January 2008	53,868,328	4,098,318	60,396,952	118,363,598
Loss for the year and total comprehensive expense for the year	–	–	(13,194,397)	(13,194,397)
Recognition of equity-settled share-based payments	–	32,013	–	32,013
Lapse of share options	–	(312,561)	312,561	–
At 31 December 2008	53,868,328	3,817,770	47,515,116	105,201,214
Loss for the year and total comprehensive expense for the year	–	–	(771,746)	(771,746)
Lapse of share options	–	(808,661)	808,661	–
At 31 December 2009	**53,868,328**	**3,009,109**	**47,552,031**	**104,429,468**

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009 HK$	2008 HK$	**2009 HK$**	2008 HK$
Financial assets				
Loans and receivables (including cash and cash equivalents)	**117,634,310**	87,749,950	**27,147,061**	20,082,047
Financial liabilities				
Amortised cost	**141,533,698**	134,841,733	**72,377,356**	58,180,836

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives

The financial instruments are fundamental to the Group's and the Company's daily operations. The Group's major financial instruments include trade and other receivables, bills receivables, amount due from (to) a jointly controlled entity, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, amount due to a fellow subsidiary, loans from an intermediate holding company, loan from a minority shareholder of a subsidiary, loan from ultimate holding company, loan from a jointly controlled entity, borrowings and bank overdrafts. The Company's major financial instruments include trade and other receivables, amount due from (to) subsidiaries, pledged bank deposits, bank balances, trade and other payables, loans from an intermediate holding company, borrowings and bank overdrafts. Details of these financial instruments are disclosed on the respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk management

Certain trade and other receivables, trade and other payables, amount due from a jointly controlled entity, loans from an intermediate holding company, borrowings and bank balances of the Group and the Company are denominated in USD, other than the functional currency of the relevant group entities, which expose the Group and the Company to foreign currency risk. The Group and the Company have not used any financial instruments to hedge against currency risk. However, the management monitors foreign currency risk exposure and will consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Foreign currency risk management *(Continued)*

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

	THE GROUP			
	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
USD	**49,645,264**	61,102,027	**31,798,671**	35,723,489

	THE COMPANY			
	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
USD	**44,100,646**	42,572,476	**19,456,583**	14,925,689

Foreign currency sensitivity

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis represents the trade and other receivables, amount due from a jointly controlled entity, trade and other payables, loans from an intermediate holding company, borrowings, bank overdrafts and bank balances and cash where the denomination are in USD, the major foreign currency risk. A positive number indicates an increase in post-tax profit/decrease in post-tax loss for the year where RMB strengthens against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the post-tax profit/post-tax loss for the year, and the balances below would be negative.

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Increase in post-tax profit/decrease in post-tax loss for the year	**758,480**	1,078,588	**1,047,373**	1,174,988

33. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Interest rate risk management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate bank balances and cash, loans from an intermediate holding company, bank borrowings and bank overdrafts. The Group and the Company currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The management considers the cash flow interest rate risk is insignificant.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate borrowing. However, the management considers the fair value interest rate risk on the fixed-rate borrowing is insignificant as the borrowings are short-term.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and statement of financial position. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management consider that the Group's and the Company's credit risk is significantly reduced.

The Group has concentrations of credit risk on trade receivables as 19% (2008: 26%) and 36% (2008: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers (including the largest customer) respectively within the "FPC business" operating segment in the PRC. These customers are in the telecommunication industry. The management considers, based on the strong financial background and good credibility of those debtors, there are no significant credit risk.

The credit risk in relation to bank balances and cash is limited because the majority of the counterparties are state-owned banks with good reputation in the PRC.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives

Liquidity risk

Liquidity risk reflects the risk that the Group and the Company will have insufficient resources to meet its financial liabilities as they fall due. The Group's and the Company's strategy to managing liquidity risk is to ensure that the Group and the Company have sufficient funds to meet all its potential liabilities as they fall due.

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Prudent liquidity risk management implies maintaining sufficient cash. Internally generated cash flow and borrowings are the general source of funds to finance the operation of the Group and the Company. The management also monitors the utilisation of borrowings and ensures compliance with loan covenants.

Liquidity forecasts are produced on a weekly basis, to ensure the utilisation of current facilities is optimised; on a monthly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long term strategic funding requirements. The directors also continually assess the balance of capital and debt funding of the Group and the Company.

The Group and the Company rely on borrowings as one of the source of liquidity. As at 31 December 2009, the Group and the Company had available unutilised short-term loan facilities of approximately HK$41.3 million (2008: HK$11.6 million) and HK$18.5 million (2008: nil) respectively.

Liquidity tables

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

THE GROUP

	Weighted average interest rate %	On demand HK$	1 – 3 months HK$	4 – 6 months HK$	7 – 12 months HK$	1 – 2 years HK$	Total undiscounted cash flows HK$	Total carrying amount HK$
At 31 December 2009								
Non-derivative financial liabilities								
Trade and other payables	–	(25,861,423)	(11,196,767)	–	–	–	(37,058,190)	(37,058,190)
Bills payables	–	–	(3,895,085)	–	–	–	(3,895,085)	(3,895,085)
Amount due to a fellow subsidiary	–	(2,056,405)	–	–	–	–	(2,056,405)	(2,056,405)
Loans from an intermediate holding company	–	–	–	–	–	(38,775,000)	(38,775,000)	(38,775,000)
Amount due to a jointly controlled entity	–	(2,534,651)	–	–	–	–	(2,534,651)	(2,534,651)
Loan from a minority shareholder of a subsidiary	–	(2,247,500)	–	–	–	–	(2,247,500)	(2,247,500)
Loan from ultimate holding company	–	(4,559,964)	–	–	–	–	(4,559,964)	(4,559,964)
Bank overdrafts	4	(1,666,676)	–	–	–	–	(1,666,676)	(1,666,676)
Borrowings:								
– fixed-rate bank loans	3.65	–	(22,938,516)	(23,068,547)	–	–	(46,007,063)	(45,599,635)
– variable-rate bank borrowings	3.25	–	(1,461,530)	–	–	–	(1,461,530)	(1,449,751)
– variable- rate trust receipts loans	3.25	–	(1,704,579)	–	–	–	(1,704,579)	(1,690,841)
		(38,926,619)	(41,196,477)	(23,068,547)	–	(38,775,000)	(141,966,643)	(141,533,698)
At 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables	–	(11,789,756)	(25,835,319)	(3,060,071)	–	–	(40,685,146)	(40,685,146)
Bills payables	–	–	(4,719,017)	(1,132,474)	–	–	(5,851,491)	(5,851,491)
Amount due to a fellow subsidiary	–	(2,939,172)	–	–	–	–	(2,939,172)	(2,939,172)
Loans from an intermediate holding company	3.7	–	–	–	–	(40,182,588)	(40,182,588)	(38,750,000)
Loan from a jointly controlled entity	–	(4,086,894)	–	–	–	–	(4,086,894)	(4,086,894)
Loan from a minority shareholder of a subsidiary	–	(2,247,500)	–	–	–	–	(2,247,500)	(2,247,500)
Loan from ultimate holding company	–	(4,537,720)	–	–	–	–	(4,537,720)	(4,537,720)
Bank overdrafts	4.88	(780,858)	–	–	–	–	(780,858)	(780,858)
Borrowings:								
– fixed-rate loans from a financial institution	4.55	–	–	(34,446,919)	–	–	(34,446,919)	(33,806,013)
– variable-rate trust receipts loans	–	–	(968,382)	(188,557)	–	–	(1,156,939)	(1,156,939)
		(26,381,900)	(31,522,718)	(38,828,021)	–	(40,182,588)	(136,915,227)	(134,841,733)

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

THE COMPANY

	Weighted average interest rate %	On demand HK$	1 – 3 months HK$	4 – 6 months HK$	7 – 12 months HK$	1 – 2 years HK$	Total undiscounted cash flows HK$	Total carrying amount HK$
At 31 December 2009								
Non-derivative financial liabilities								
Trade and other payables	**–**	**(738,637)**	**(584,068)**	**–**	**–**	**–**	**(1,322,705)**	**(1,322,705)**
Amounts due to subsidiaries	**–**	**(27,472,383)**	**–**	**–**	**–**	**–**	**(27,472,383)**	**(27,472,383)**
Loans from an intermediate holding company	**–**	**–**	**–**	**–**	**–**	**(38,775,000)**	**(38,775,000)**	**(38,775,000)**
Bank overdrafts	**4**	**(1,666,676)**	**–**	**–**	**–**	**–**	**(1,666,676)**	**(1,666,676)**
Borrowings:								
– vanable-rate bank borrowings	**3.25**	**–**	**(1,461,530)**	**–**	**–**	**–**	**(1,461,530)**	**(1,449,751)**
– variable-rate trust receipts loans	**3.25**	**–**	**(1,704,579)**	**–**	**–**	**–**	**(1,704,579)**	**(1,690,841)**
		(29,877,696)	**(3,750,177)**	**–**	**–**	**(38,775,000)**	**(72,402,873)**	**(72,377,356)**
At 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables	–	(222,676)	(1,729,173)	–	–	–	(1,951,849)	(1,951,849)
Amounts due to subsidiaries	–	(15,541,190)	–	–	–	–	(15,541,190)	(15,541,190)
Loans from an intermediate holding company	3.7	–	–	–	–	(40,182,588)	(40,182,588)	(38,750,000)
Bank overdrafts	4.88	(780,858)	–	–	–	–	(780,858)	(780,858)
Borrowings:								
– variable-rate trust receipts loans	–	–	(968,382)	(188,557)	–	–	(1,156,939)	(1,156,939)
		(16,544,724)	(2,697,555)	(188,557)	–	(40,182,588)	(59,613,424)	(58,180,836)

Fair value of financial instruments

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

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

No analysis of fair value measurements is presented as the Group and the Company do not have financial instruments that are measured subsequent to initial recognition at fair value in the consolidated financial statements.

33. FINANCIAL INSTRUMENTS *(Continued)*

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in note 3.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group and the Company consist of net borrowings disclosed in note 25, loans from an intermediate holding company disclosed in note 24, loans from a jointly controlled entity and a minority shareholder of a subsidiary disclosed in note 26, loan from ultimate holding company disclosed in note 28, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in this financial information.

The management of the Group and the Company review the capital structure on a continuous basis. The Group and the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the raise of bank borrowings and the redemption of existing debt.

35. PLEDGE OF ASSETS

At the end of the reporting period, certain bank deposits, bills receivables, buildings and land use rights were pledged to secure the banking facilities granted to the Group and the Company as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Bank deposits	**2,353,143**	2,349,707	**2,353,143**	2,349,707
Bills receivables	**–**	810,235	**–**	–
Buildings	**62,381,421**	–	**–**	–
Land use rights	**20,126,190**	20,451,140	**–**	–
	84,860,754	23,611,082	**2,353,143**	2,349,707

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Within one year	**174,715**	231,361	**20,000**	120,000
In the second to fifth years inclusive	**–**	20,000	**–**	20,000
	174,715	251,361	**20,000**	140,000

Operating lease payments represent rentals payable by the Group and the Company for certain of the factory, office properties and staff quarters. Leases are negotiated for terms ranging from one to three years.

37. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Capital expenditure in respect of acquisition of property, plant and equipment:				
– contracted for but not provided in the consolidated financial statements	**31,145,385**	20,217,493	**11,420,797**	–

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund (the "MPF") for all qualifying employees in Hong Kong. The retirement benefits scheme contributions charged to income of HK$18,813 (2008: HK$19,283) represent contributions payable to the MPF scheme by the Group, which contribution is matched by employees.

The employees employed in the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. They are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The state-managed retirement benefits scheme contributions charged to the consolidated statement of comprehensive income amounted to HK$1,100,092 (2008: HK$1,569,742). The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

No forfeited contributions are available to reduce the contribution payable in future years.

39. RELATED PARTY TRANSACTIONS

In addition to the balances set out in notes 17, 20, 24, 26 and 28, the Group and the Company entered into the following transactions with related parties during the year:

THE GROUP

(i)

	2009	2008
	HK$	HK$
Transactions with fellow subsidiaries:		
Rentals for factory premises and staff quarter charged to the Group (Note)	**–**	2,765,018
Rentals for office charged to the Group	**120,000**	120,000
Transactions with a jointly controlled entity:		
Subcontracting fee paid by the Group	**26,513,210**	35,364,298
Sales of goods by the Group	**22,935**	–
Commission income received by the Group	**185,125**	–
Income from leasing equipments	**614,055**	595,304
Transactions with an intermediate holding company:		
Interest paid by the Group	**192,535**	1,324,830

Note: The Group entered into a cancellation agreement with the fellow subsidiary to terminate the relevant leases agreements with effect from 30 April 2009. In addition, the fellow subsidiary had agreed to unconditionally and irrevocably waive the rental for the period from January 2009 to April 2009 under the relevant leases agreements.

(ii) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under CNIC which is controlled by the PRC government.

The Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities to be third parties so far as the Group's business with them are concerned.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks which are stated-controlled entities in its ordinary course of business.

The directors are of the opinion that the transactions with other state-controlled entities are not significant to the Group's operations.

39. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Compensation of key management personnel

The remuneration of key management during the year represented remuneration paid to directors as disclosed in note 11 to the consolidated financial statements.

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

THE COMPANY

(iv)

	2009 HK$	2008 HK$
Transactions with subsidiaries:		
Sales of goods by the Company	**4,702,572**	7,999,230
Sales of equipment by the Company	**3,013,589**	6,961,863
Commission income received by the Company	**–**	359,409
Purchases of goods by the Company	**46,225,583**	51,107,509
Transactions with fellow subsidiaries:		
Rentals for office charged to the Company	**60,000**	60,000
Transactions with a jointly controlled entity:		
Commission income received by the Company	**185,125**	–
Transactions with an intermediate holding company:		
Interest paid by the Company	**–**	955,461

40. EVENTS AFTER THE REPORTING PERIOD

On 5 February 2010, the directors of Ever Proven Investments Limited ("Ever Proven"), which issued shares are held as to 75% by the Company and as to 25% by Kam Sun International Limited ("Kam Sun"), an independent third party, resolved to declare and distribute a sum of HK$1,766,381 as dividend out of its surplus to the Company and Kam Sun by way of the distribution in specie of all the issued shares in Giant Rise Technology Limited ("Giant Rise"), a wholly owned subsidiary of Ever Proven, to each of the Company and Kam Sun in accordance with their respective percentage shareholdings in Ever Proven at the value of HK$1.766381 per share. To effect the distribution in specie, Ever Proven have transferred 750,000 shares of HK$1.00 each in Giant Rise (representing 75% of the total issued Shares of Giant Rise) to the Company, and have transferred the remaining 250,000 shares of HK$1.00 each in Giant Rise (representing 25% of the total issued shares of Giant Rise) to Kam Sun on 5 February 2010.

Immediately after the completion of the distribution in specie, the Company directly held 75% of the issued shares in Giant Rise, i.e. 750,000 shares of HK$1.00 each, while Kam Sun directly held the remaining 25% of the issued shares in Giant Rise, i.e. 250,000 shares of HK$1.00 each.

Financial Summary

RESULTS	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
Revenue	**267,530,512**	378,194,134	279,333,118	159,870,101	202,402,207
Cost of sales	**(256,973,076)**	(377,610,695)	(281,720,697)	(141,321,683)	(152,665,813)
Gross profit (loss)	**10,557,436**	583,439	(2,387,579)	18,557,418	49,736,394
Other income	**58,956,676**	950,384	1,652,514	6,209,978	4,489,746
Distribution costs	**(2,867,427)**	(6,810,113)	(5,964,088)	(3,481,131)	(5,036,148)
Administrative expenses	**(16,077,590)**	(17,545,947)	(22,403,899)	(16,893,026)	(16,482,468)
Factory relocation costs	**(21,411,502)**	–	–	–	–
Research and development expenses	**(7,635,300)**	(7,852,085)	(7,799,889)	(9,272,433)	(5,624,813)
Share of result of a jointly controlled entity	**(3,040,780)**	10,200,962	6,141,109	(1,877,373)	(594,931)
Finance costs	**(933,218)**	(1,058,753)	(719,636)	(251,819)	(61,856)
Profit (loss) before taxation	**17,548,295**	(21,532,113)	(31,481,468)	(7,008,386)	26,425,924
Taxation credit (charge)	**159,586**	(1,047,265)	177,495	(920,019)	(3,130,857)
Profit (loss) for the year	**17,707,881**	(22,579,378)	(31,303,973)	(7,928,405)	23,295,067

ASSETS AND LIABILITIES	At 31 December				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
Total assets	**370,670,725**	338,087,861	284,208,451	258,408,531	265,781,514
Total liabilities	**(188,059,706)**	(174,277,026)	(111,074,707)	(72,701,476)	(74,836,091)
	182,611,019	163,810,835	173,133,744	185,707,055	190,945,423
Equity attributable to owners of the Company	**179,284,018**	159,882,630	172,107,252	185,693,634	190,932,425
Minority interests	**3,327,001**	3,928,205	1,026,492	13,421	12,998
Total equity	**182,611,019**	163,810,835	173,133,744	185,707,055	190,945,423