萬裕國際集團有限公司

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(股份代號 Stock Code : 0894)

WE LISTEN

WE CARE

WE DELIVER

Annual Report 2008 年報

Halogen Free

RoHS Compliant

X-CON®
Conductive Polymer
Aluminum Solid Capacitors

SAMXON®
Aluminum Electrolytic Capacitors

AWARDS IN 2008
2008年獲得之獎項

"Advance and High Technology Enterprises Certificate"
「高新技術企業證書」

"Top Ten Well-known Brand Capacitors 2008 (in China)"
「2008年中國電容器行業十大知名品牌」

"2008 Awards for Industries: Environmental Performance Certificate of Merit"
「2008年香港工商業獎：環保成就優異證書」

"Hong Kong's 100 most Influential Brands for 2008"
「2008年香港最具影響力品牌百強」

The Group's Managing Director,
Mr. Eugene Chan, has been accredited the
"Young Industrialist Awards of Hong Kong 2008"
本集團董事總經理陳宇澄先生
榮獲香港工業總會頒授「香港青年工業家獎2008」

COMPANY PROFILE

The Man Yue group of companies (the "Group") was founded in 1979 and listed on the Hong Kong Stock Exchange in 1997. The Group's core business is the manufacture and sale of Aluminum Electrolytic Capacitors ("E-Caps") and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps").

The Group offers a full range of E-Caps products, ranging from miniature to large can E-Caps, which satisfy the needs of its global customers, consisting mainly of the world's leading electrical and electronic brands. In 2006, the Group launched an innovative type of E-Caps known as Polymer Caps. As the world's fifth largest E-Caps manufacturer, the Group owns the renowned SAMXON and X-CON brands, both of which are well-known for their superior quality, strong R&D capabilities, and established global network. The Group also provides Component Electronic Manufacturing Services ("Component EMS") to some of the world's most respected E-Caps companies. All of the Group's products are halogen free and comply with RoHS or equivalent environmental protection regulations of different global markets.

The Group is headquartered in Hong Kong and operates state-of-the-art E-Caps manufacturing facilities in Dongguan and Wuxi, PRC, with a total production capacity of over 900 million pieces per month. The Group also owns two aluminum foil factories located in Qingyuan and Urumqi, PRC, which produce aluminum foils for consumption by its own E-Caps manufacturing facilities. The Group has distribution offices located in Hong Kong, Mainland China, Taiwan, Malaysia and the United States supplemented by distribution channels which span across the globe.

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Kee Chor Lin *(Chairman)*
Chan Yu Ching, Eugene *(Managing Director)*
Ko Pak On
Tso Yan Wing, Alan

Independent Non-executive Directors

Li Sau Hung, Eddy
Lo Kwok Kwei, David
Mar, Selwyn

AUDIT COMMITTEE

Mar, Selwyn *(Chairman)*
Li Sau Hung, Eddy
Lo Kwok Kwei, David

REMUNERATION COMMITTEE

Lo Kwok Kwei, David *(Chairman)*
Kee Chor Lin
Li Sau Hung, Eddy

COMPANY SECRETARY

Tso Yan Wing, Alan

INDEPENDENT AUDITORS

Ernst & Young, Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
CITIC Ka Wah Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

16/F., Yiko Industrial Building
10 Ka Yip Street, Chai Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE WEBSITE

http://www.manyue.com

INVESTOR RELATIONS CONTACT

E-mail: ir@manyue.com

STOCK CODE

0894

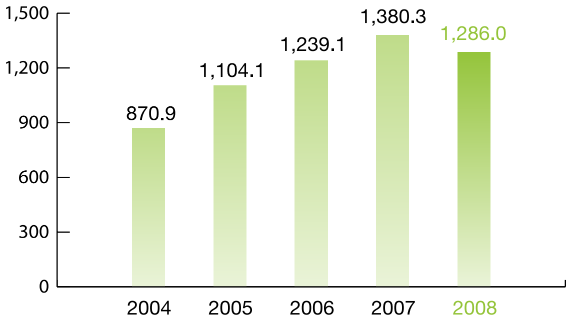
Financial Highlights

For the year ended 31 December	**2008**	2007	% changes increase/ (decrease)
Operating Results	**HK$'000**	HK$'000	%
Revenue	**1,285,979**	1,380,334	(6.8)
Gross profit	**246,492**	289,588	(14.9)
EBITDA	**211,825**	224,151	(5.5)
Net profit	**90,197**	135,765	(33.6)
Per Share Data	**HK cents**	HK cents	%
Earnings per share-basic	**18.87**	28.88	(34.7)
Total dividend per share (proposed)	**3.5**	8.5	(58.8)
Net asset per share	**200.85**	176.01	14.1
Financial Position	**HK$'000**	HK$'000	%
Total assets	**2,077,490**	1,880,439	10.5
Net assets	**960,250**	840,671	14.2
Financial Ratios	**%**	%	%
Gross profit to Revenue	**19.2**	21.0	(8.6)
Net profit to Revenue	**7.0**	9.8	(28.6)
Return on Equity	**9.5**	16.1	(41.0)
Net debt to Equity	**38.7**	31.4	23.2

REVENUE

For the year ended 31 December

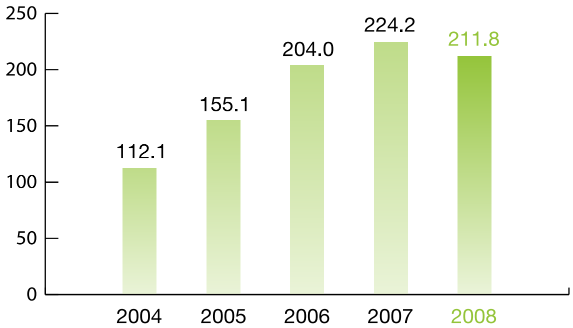
HK$' million



EBITDA

For the year ended 31 December

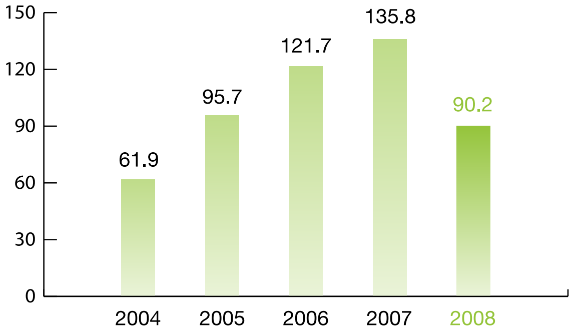
HK$' million



NET PROFIT

For the year ended 31 December

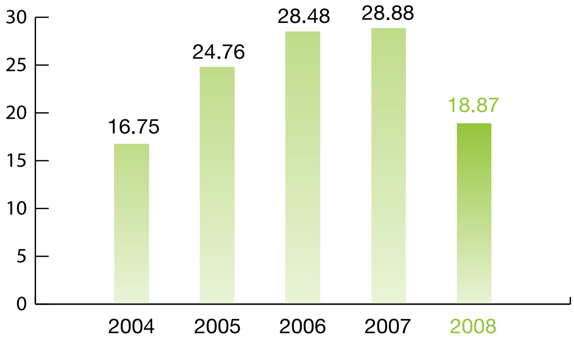
HK$' million



EARNINGS PER SHARE — BASIC

For the year ended 31 December

HK cents



Chairman's Statement

Ms. Kee Chor Lin
Chairman

INTRODUCTION

The financial year ended 31 December 2008 has been an extraordinary one for many global enterprises, including major players in the aluminum electrolytic capacitors ("E-Caps") industry. In 2008, many E-Caps makers enjoyed a good revenue growth in the first three quarters but were confronted with a volatile or recessionary fourth quarter as a result of the widespread global economic turmoil that took place in late 2008.

Inevitably, the Group has also been affected by this widespread global economic turmoil. Despite healthy revenue growth were experienced for three consecutive quarters in 2008, an abnormal decline in customer orders in the fourth quarter had off-set the healthy gains in the first three quarters. For the first time in the past six financial years, the Group recorded a negative revenue growth.

FINANCIAL RESULTS

Revenue for the year mildly declined by 6.8% to HK$1,285,979,000. Considering the impacts of the global economic turmoil in late 2008, this slight decline in revenue can be regarded as a satisfactory performance.

Gross margin declined to 19.2% as compared with 21.0% in prior year. This drop was mainly caused by under-utilisation of production capacities in the fourth quarter of 2008.

Earnings before interest, tax, depreciation and amortization ("EBITDA") stood at HK$211,825,000 for the year as compared with HK$224,151,000 for prior year.

Operating profit before changes in fair value of investment properties for the year stood at HK$115,278,000 as compared with HK$115,836,000 in the prior year.

The results for 2008 were affected by several non-recurring or one-off elements in the income statements, including an one-off receipt of insurance compensation; significant provisions for impairment in the fair value of investment properties, accounts receivables and inventory; significant increase in administrative expenses as higher provisions were made for social welfare contributions due to the introduction of a new labour contract law in Mainland China; and additional taxation charges due to the introduction of the new 2008 enterprise income tax regulations in Mainland China. If we take out the impacts of all these non-recurring or one-off elements in the income statements of 2008 and 2007, we can see that the normal operating results for both years would be basically in line.

Chairman's Statement

Net profit for the year amounted to HK$90,197,000. In appreciation for the continuous support of the shareholders, the Board recommends the payment of a final dividend of HK0.5 cents per share (2007: HK5.5 cents per share). Together with the interim dividend of HK3.0 cents per share (2007: HK3.0 cents per share) already declared and paid, the total dividend for the year will amount to HK3.5 cents per share (2007: HK8.5 cents per share).

OUTLOOK

Despite the fact that negative sentiment is still prevailing in the global E-Caps market, the Group is cautiously confident of achieving a relatively stable performance in 2009. The Group believes that the drastic corrective actions taken by certain customers in late 2008 might have been exaggerated. Based on statistics and information available to the Group, it is believed that E-Caps inventories in the entire supply chain have become very lean. Our customers are placing rush orders since February 2009 and urging the Group to deliver its products to them at a very short time-frame. In addition, the Group has obtained positive indications from its key customers that the Group should expect a significant increase in orders in the second half of 2009. These customers reckon that the global consumer demands are recovering faster than they have originally expected.

The Group believes that the first half of 2009 may continue to be challenging as most electronic brands will delay the launching of new models or products until the second half of the year. However, the Group is expecting higher revenue growth in the second half of the year to cater for the rise in forecast demands from customers in that period.

In 2009, one of the key management focuses is to tighten or strengthen the Group's cash and liquidity positions. This includes selection of customers with lower credit risks, tightening of credit control and speeding up of collection from customers. Inventory level will be lowered to release more cash for operational needs. Major capital expenditures will be put on hold until there are clear signs of economic recovery. New cost rationalization schemes will also be implemented to enhance cost competitiveness of the Group's products. With the above strategies in place, the Group is targeting to improve its net gearing ratio.

The PRC government's new policy to stimulate domestic demands, such as channeling of home electrical appliances or computers to the country-side, the granting of the new 3G telecommunication platforms etc. will help to boost the domestic sales of the Group. The new regulations in Europe enforcing the use of energy saving lamps for environment protection reasons also help the Group in selling its ballast type of E-Caps for energy saving lamps. In summary, the Group expects that government policies in different parts of the world would be favourable to the Group's business in the coming years.

Front view of the Group's E-Caps manufacturing facility located in Changan, Dongguan, PRC

Chairman's Statement

Front view of the Group's aluminum foil factory located in Qingyuan, Guangdong, PRC

New product innovation has been a key emphasis of the Group. The Group's R&D team is joining hands with the Research Institutes of the Shenzhen Tsinghua University in developing new generations of energy storage capacitors that may be applied in the electrical transportation equipments of the next generation. We are also speeding up the development of new products that suit tomorrow's requirements.

In conclusion, the Group has experienced several global economic crisis in the past decade. The financial strength of the Group has improved after passing these crisis. With your continuing support, the Group has confidence and capability in delivering satisfactory results in the years to come.

APPRECIATIONS

I would like to take this opportunity to express my sincere thanks to the shareholders and bankers for their continuing support to the Group. I would also extend my appreciations to my fellow directors, senior management team and staff for their dedication and commitment to managing various business segments of the Group.

Kee Chor Lin
Chairman

21 April 2009

Rear view of the Group's E-Caps manufacturing facility located in Changan, Dongguan, PRC.

Management Discussion And Analysis

MARKET OVERVIEW

Towards the end of 2008, many E-Caps manufacturers have been confronted with an unprecedented world-wide economic turmoil. Abrupt shrinkage in global consumer demands caused many electronic companies to take reactive responses which include: suspending or cancelling of purchase orders, shifting of purchase orders to other vendors that offer good quality and competitive prices, trying to use up component inventories on-hand to reduce working capital requirements.

The above phenomenon has caused several changes in the market dynamics in this global E-Caps market. Smaller and less competitive E-Caps manufacturers are facing financial difficulties because of reduced customers' orders and inability to generate adequate cash flows to fund their operating costs. At the other end of the spectrum, the large size and high-end Japanese E-Caps manufacturers are also facing other challenges. Currency fluctuations, especially the appreciation of Japanese yen and devaluation of United States dollars, had eroded into their operating margins. These Japanese E-Caps makers are therefore reluctant to reduce selling price to meet customers' requirements. Consequently, their key or loyal customers may have to seek alternate suppliers in the market.

Man Yue is the only non-Japanese company within the top five E-Caps manufacturers in the world. The Group is also well-known for its high quality products at relatively competitive prices. Owing to its unique position, the Group is enjoying the shift in the market shares from higher price but similar quality (Japanese) E-Caps suppliers to the Group. At the same time, there was another shift in the market share from less competitive, less viable smaller E-Caps manufacturers to the stronger and more competitive suppliers. Owing to these two-directional shifts in market share, the Group is expecting to increase its market share in this challenging environment.

BUSINESS REVIEW

Electronic components

Revenue from the sale of E-Caps and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps") recorded a mild negative revenue growth of 5% to HK$1,272,989,000. This indicated that the demands for the Group's E-Caps products remained strong even at recessionary times. This also demonstrated once again that the Group's products are resilient to market down turns. When the economy got worse, more customers or potential customers are seeking supply from the Group to substitute for similar quality but higher price Japanese E-Caps.

Among various geographical regions, we saw revenue growth in those areas such as Europe and the USA. This has been caused by increase in sales of the Group's innovative products such as Polymer Caps, V-Chips, long-life ballast (for energy saving lamps), high voltage screw type and high performance low ESR series. Most of these new products were applied in the growing market segments such as netbook computers, game consoles, energy saving lamps, environmental products, industrial products and digital hand-held consumer electronic products.

Management Discussion And Analysis

Aluminum foil

During the year, the aluminum foils produced by Qingyuan and Urumqi factories continued to provide a stable supply of high quality aluminum foils for the Group's internal consumption. In most part of 2008, the self-sufficiency ratio has been maintained at approximately 40%. During the fourth quarter of 2008, the self-sufficiency ratio soared to over 50% as the Group reduced the purchase of aluminum foils from overseas vendors.

Research and Development

The Group has been well recognized as one of the leaders in technological development in the E-Caps industry. Apart from the launch of several series of Polymer Caps since 2006, the brand new Electric Double-Layered Capacitors ("EDLCs") were launched in 2008. This new breed of capacitors acts as energy storage devices for applications in various types of energy savings and environmental protection products. Further down the product development roadmap, researches are taking place in the development of another brand new type of specialty polymer capacitors. This product segment is currently only offered by a few global E-Caps vendors and the product has immense market potential. The Group is expecting to launch this new product in 2010. In addition, the Group is also seriously engaging into the research of a brand new energy storage devise that supports the scientific research and development of the next generation of electrical transportation equipment.

RoHS laboratories are established in all manufacturing facilities to ensure full compliance of the requirements

The Group is also proud to announce that certain subsidiaries in Mainland China had already been granted the "Advance and High Technology Enterprises Certificate" in 2008. Apart from the tax benefits that this certificate will bring, it also demonstrates the strength of the Group's R&D capability.

During the year, the Research and Development expenditure incurred by the Group amounted to HK$22,999,000 (2007: HK$26,833,000).

AWARDS WON IN 2008

The Group is proud to report that its management team has won several accreditations during 2008, which include:

(1) "Top Ten Well-known Brand Capacitors 2008" (in China);

(2) "2008 Awards for Industries: Environmental Performance Certificate of Merit";

(3) "Hong Kong's 100 most Influential Brands for 2008"; and

(4) the Group's Managing Director, Mr. Eugene Chan, has been accredited the "Young Industrialist Awards of Hong Kong 2008".

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's gross borrowings in respect of bank loans and finance leases amounted to HK$775,283,000 (31 December 2007: HK$654,576,000). Of this amount, HK$474,997,000 was included in current liabilities. This amount can be further divided into current portion of long term bank loans of HK$245,264,000; trade finance credits of HK$103,859,000; and revolving credits of HK$125,874,000. Included in non-current liabilities were bank loan facilities that is

Management Discussion And Analysis

repayable between one to two years of HK$163,143,000 and repayable between two to five years of HK$137,143,000.

After deducting cash and cash equivalents of HK$406,466,000 (31 December 2007: HK$390,683,000), the Group's net borrowing position as at 31 December 2008 was HK$368,817,000 (31 December 2007: HK$263,893,000). The increase in net borrowing was mainly due to the increase in trade finance credits as a result of raw materials purchased in the third and fourth quarters of 2008. Shareholders' equity as at 31 December 2008 was HK$954,127,000 (31 December 2007: HK$840,671,000). Accordingly, the Group's net borrowing to shareholders' equity ratio was 38.7% (31 December 2007: 31.4%). Subsequent to the year end date, as at 31 March 2009, the net borrowing to shareholders' equity ratio improved to 37.9%.

During the year, the Group generated net cash inflow from operating activities of HK$30,268,000. This figure represented profit before tax of HK$107,123,000, plus adjustments for non-cash items such as depreciation and amortization of HK$77,340,000, minus net increase in working capital of HK$120,932,000 and other adjustments of HK$33,263,000.

The cash outflow from investing activities for the year was HK$248,538,000 which included: purchases of property, plant and equipment of HK$105,629,000; acquisition of shares in an associate and a subsidiary of HK$56,641,000; placing of bank deposits with maturity periods over three months of HK$77,499,000 and other items of HK$8,769,000. During the year, the Group also disposed of an investment property in Hong Kong which generated a cash inflow from investing activities of HK$43,152,000. The net cash outflow from investing activities of HK$205,386,000 was financed by cash inflow from operations and bank loan facilities.

The Group's financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yens. As Hong Kong dollar remains pegged to United States dollar, there is no material exchange risk in this respect. The Group receives Renminbi from its customers and at the same time incurs Renminbi expenditures. The receipts, however, cannot fully offset the payments in Renminbi and therefore the sharp appreciation of Renminbi during the year caused an additional financial burden to the Group. The Group is now increasing its revenue in Mainland China and hopefully the additional receipts in Renminbi will eventually hedge against its Renminbi expenditures. The Group monitors its foreign exchange exposure in Japanese yens and Renminbi mainly by entering into cash flow hedging forward contracts. Most of the Group's long-term bank loan facilities are denominated in Hong Kong dollars and carry interests at floating rates. Credit risk was hedged mainly through credit insurance policies.

EMPLOYMENT AND REMUNERATION POLICY

At 31 December 2008, the Group employed 76 employees in Hong Kong (31 December 2007: 88) and employed a total work force of approximately 3,240 (31 December 2007: 4,901) including its staff in Mainland China and overseas offices. Salaries, bonuses and benefits were determined in line with general market conditions, performance, qualifications and experience of each individual staff.

Directors' and Senior Management's Biographies

Board of Directors

Front (left to right): Mr. Chan Yu Ching, Eugene, Ms. Kee Chor Lin and Mr. Mar, Selwyn.

Back (left to right): Mr. Ko Pak On, Mr. Tso Yan Wing, Alan, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David

EXECUTIVE DIRECTORS

Ms. Kee Chor Lin (Mrs. Chan), aged 60, is the co-founder of the Group. She was appointed as the Chairman and an Executive Director of the Company on 10 October 2008 following the passing away of the late Chairman Mr. Chan Ho Sing, the spouse of Mrs. Chan. She is primarily responsible for steering the Group forward and providing overall leadership in the development of the Group's strategies and policies. Mrs. Chan was appointed as a director of several major operating subsidiaries of the Group and acts as a member of the Company's Remuneration Committee. Mrs. Chan is a well-known industrialist in Hong Kong and she has over thirty years of experience in the electronic component's field. She is the mother of Mr. Chan Yu Ching, Eugene, the Managing Director and an Executive Director of the Group.

Chan Yu Ching, Eugene, aged 33, joined the Group in 1998 and was appointed as an Executive Director on 18 December 2007. He was also appointed as the Managing Director of the Group on 10 October 2008. Mr. Chan is mainly responsible for overseeing the management of the Group's policies and developments. He was appointed as a director of several major operating subsidiaries of the Group. He holds a Bachelor degree in Applied Science (majored in Electronic Engineering) from the University of British Columbia in Canada. He was awarded the Young Industrialist Awards of Hong Kong in 2008. He is the son of Mrs. Chan, the Chairman and a substantial shareholder of the Company.

Ko Pak On, aged 62, is an Executive Director of the Company. Mr. Ko joined the Group in 1984 and was appointed as a director of several major operating subsidiaries of the Group. He has over thirty years of experience in the electronic component's field. He is mainly responsible for overseeing the Group's manufacturing operations in Mainland China.

Directors' and Senior Management's Biographies

Tso Yan Wing, Alan, aged 50, was appointed as an Executive Director of the Company on 18 December 2007. He joined the Group in December 2004 as Chief Financial Officer and Company Secretary. Mr. Tso is mainly responsible for overseeing the Group's financial planning and management, regulatory compliances and investor relationship functions. Prior to joining the Group, he had held various senior management positions, including chief financial officer, chief operating officer, director of corporate communications for various well known international companies. He had also worked in one of the world's largest international accounting practices for ten years. He has over twenty seven years of professional accountancy, financial and executive management experiences. He holds a Master degree in Business Administration from the University of Ottawa and is an associate member of the Hong Kong Institute of Certified Public Accountants since 1985, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Certified General Accountants in Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Li Sau Hung, Eddy, aged 54, has over twenty-two years of experience in the manufacturing industry. He is a member of the National Committee of the Chinese People's Political Consultative Committee and the president of Hong Kong Economic & Trade Association Ltd. He holds a Ph.D. degree in Economics and a Master degree in Business Administration. Dr. Li was awarded The Ten Outstanding Young Persons in 1991 and the Young Industrialists of Hong Kong in 1993. He is currently an Independent Non-executive Director of Jackin International Holdings Limited, Oriental Watch Holdings Limited and Midas International Holdings Limited, all of which are listed on the Hong Kong Stock Exchange. Dr. Li also acts as a member of the Company's Audit Committee and Remuneration Committee.

Lo Kwok Kwei, David, aged 50, holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. Mr. Lo has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over twenty years and is a partner in a law firm in Hong Kong. He is currently a Non-executive Director of eSun Holdings Limited, which is listed on the Stock Exchange of Hong Kong. Mr. Lo acts as the Chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee.

Mar, Selwyn, aged 73, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Mar graduated from the London School of Economics, University of London. He is a fellow member of the Institute of Chartered Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has been active in commercial and industrial undertakings over the past thirty years. At present, he is a partner of Nexia Charles Mar Fan & Co., and the Independent Non-executive Director of two other Hong Kong listed companies, China Everbright International Limited and Minmetals Land Limited. He also acts as the Chairman of the Audit Committee of Minmetals Land Limited. In respect of public services, he was the President of the Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants") in 1991, a member of the Appeals Panel of the Securities and Futures Commission, and a member of the Board of Governors of the Chinese International School. He is an Honorary Fellow of the Lingnan University. He also acts as the Chairman of the Company's Audit Committee.

Directors' and Senior Management's Biographies

SENIOR MANAGEMENT

Wong Ching Ming, Stanley, aged 51, is the Director of Business Development of the Group. Mr. Wong joined the Group in 2003. He is primarily responsible for managing the Group's global sales and marketing strategies and operations. Mr. Wong has over twenty years of experience in sales and marketing field and has held senior management positions in an internationally well known information technology company. Mr. Wong holds a MSc degree and a BSc (Aeronautical Engineering) degree from the Imperial College of Science and Technology of the University of London in the United Kingdom.

Yeung Yuk Lun, Alan, aged 38, is the Financial Controller of the Group. Mr. Yeung joined the Group in July 2007. He is mainly responsible for managing the operations of the Group's finance, accounting and information technology functions. He has extensive experience in auditing, financial and treasury management, information technology as well as business development. Prior to joining the Group, Mr. Yeung has held senior management positions in other listed companies in Hong Kong. He holds a Bachelor degree in Business Administration (Professional Accountancy) and a Master degree in Business Administration from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.

Huang Jian, aged 36, is an Operation Manager of the Group's Dongguan manufacturing facility. Mr. Huang joined the Group in 1997. He has over ten years of experience in operation management. He graduated from the Chongqing Normal University.

Pan Su Qing, aged 47, is the Vice Chief Engineer of the Group's Dongguan manufacturing facility. Ms. Pan joined the Group in 1996. She is responsible for product development, product design, technical support and product cost management of the Group. Prior to joining the Group, she worked in the research & development department of a well known state-owned National 4321 Factory and engaged in the development of new aluminum electrolytic capacitor products for commercial customers and military uses. She graduated from the Nan Chang Radio Technological School, majored in electronics component and material in 1983.

Li Shen Guang, aged 43, is a Quality Assurance Manager of the Group's Dongguan manufacturing facility. Mr. Li joined the Group in 2003. He has over twenty years of experience in the management of electronic components. He has over sixteen years of experience in quality management, technology, research & development of aluminum electrolytic capacitors. He holds a Bachelor degree in the Electronic Engineering from the Tianjin University.

Peng Shu Hong, aged 34, is the Operation Manager of the Group's Qingyuan aluminum foil manufacturing facility. Mr. Peng joined the Group in June 1997 with the responsibility of managing the production, planning and logistics operations. He has about eleven years of experience in operation management and logistics field. He graduated from the Chongqing Normal University.

Liao Guang Hui, aged 35, is the Operation Manager of the Group's Wuxi manufacturing facility. Mr. Liao joined the Group in 1996. He has over ten years of experience in operation management. He graduated from the Sichuan Normal University (also known as Chongqing Information Technology Engineering College).

Lee Chi Keung, aged 47, is the General Manager of the Group's Xinjiang aluminum foil manufacturing facility. Mr. Lee joined the Group in April 2005. He had over twenty years of experience in the production of E-Caps and operation management.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") and management are committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Group emphasise on an effective Board for leadership and control, sound business ethics and integrity in all business activities, transparency and accountability to shareholders.

The Group has adopted the Code Provisions as set out in the Code on Corporate Governance Practices ("CGP") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year 2008, none of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the CGP except for the following deviations:

(i) Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company did not have a separate role of Chairman and Chief Executive Officer until 10 October 2008. Prior to that date, Mr. Chan Ho Sing (former Chairman, who passed away on 7 October 2008) took the role of Chairman and Chief Executive Officer of the Group. Effective on 10 October 2008, Ms. Kee Chor Lin was appointed as the Chairman of the Group and Mr. Chan Yu Ching, Eugene was appointed as the Managing Director of the Group. The Company is now in compliance with Code Provision A.2.1.

(ii) All the Independent Non-Executive Directors ("INEDs") are not appointed for specific terms but are subject to retirement by rotation under Bye-law 87 of the Company's Bye-laws.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company were in line with the Code Provisions during the year.

THE BOARD

The Board is composed of the Chairman (who is also an Executive Director), three other Executive Directors and three INEDs, whose biographical details are set out in the "Directors' and Senior Management's Biographies" section on pages 10 to 11. Two INEDs possess appropriate professional qualifications as required by the Listing Rules.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's long-term and short-term investments, business strategies and annual budgets, evaluating the performance of the Group, and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed and approved by the Board before execution. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Board has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and adequate and reliable information are given to the Board in a timely manner.

The Board is responsible for developing corporate strategies, monitoring the management team and evaluating the Group's performance quarterly. The Board is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders' value.

Corporate Governance Report

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

At each annual general meeting, one-third of the Directors for the time being (round up if their number is not a multiple of three), shall retire from office by rotation in accordance with the Company's Bye-laws.

The Company Secretary shall convene the Board meetings at the request of any one Director and 14 days' notice of Board meetings will be given to all Directors. The Board papers are tabled not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be considered at the Board meetings. The Company Secretary shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. The Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary shall prepare the minutes of each board meeting and circulate the draft minutes for the Board's comments. The Board will approve the final versions of the minutes during the next Board meeting.

In the year 2008, four regular Board meetings were scheduled in advance to give all Directors an opportunity to attend and the Board meetings have been scheduled at approximately quarterly intervals. In addition, one Board meeting held on 15 July 2008 was convened by the Chairman and another Board meeting held on 10 October 2008 was convened by an Executive Director. The Directors had attended the meetings either in persons or through means of a conference telephone or other communications equipment in accordance with Bye-law 116(2) of the Company's Bye-laws.

AUDIT COMMITTEE

The current members of the Audit Committee include Mr. Mar, Selwyn, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David. Mr. Mar is the Chairman of the Audit Committee.

All members of the Audit Committee are INEDs. Two members have appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the Company.

The Audit Committee had held four meetings during the year. The minutes of the Audit Committee meetings were tabled to the Board for reference and for action by the Board where appropriate.

The major duties of the Company's Audit Committee are as follows:

(a) to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
(b) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
(c) to review the half-year and annual financial statements of the Group before submission to the Board;
(d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss;
(e) to review the external auditor's management letter and management's response;
(f) to review the Company's statement on internal control systems prior to endorsement by the Board;
(g) to consider the major findings of internal investigations and management's response; and
(h) to consider other topics, as defined by the Board.

Corporate Governance Report

During this year, the Audit Committee had performed the following works:

(a) reviewed the financial reports for the year ended 31 December 2007 and for the six months ended 30 June 2008;
(b) reviewed the findings and recommendations of the internal audit on the operations and performance of the Group;
(c) reviewed the accounting principles and practices adopted by the Group and ensured the Company to comply with the Listing Rules and other statutory compliance;
(d) reviewed the effectiveness of internal control system;
(e) reviewed the external auditor's management letter and management's response; and
(f) reviewed and recommended for approval by the Board the 2008 audit scope and auditors' remuneration.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, the remuneration paid/payable to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Service Rendered	**Fee paid/payable** HK$000
Audit services	1,980
Non-audit services — Taxation	144
Non-audit services — Interim review	438
Non-audit services — Financial due diligence review	895
	3,457

REMUNERATION COMMITTEE

The Remuneration Committee was established to determine the remuneration structure of the Executive Directors and senior management. Its current members comprise Mr. Lo Kwok Kwei, David, Ms. Kee Chor Lin and Dr. Li Sau Hung, Eddy. Mr. Lo is the Chairman of Remuneration Committee. No meeting was held by the Remuneration Committee during the year.

The main responsibilities of the Remuneration Committee are as follows:

(a) to decide, with consultation with the Chairman of the Board, where to position the Company relative to others in terms of remuneration level and board composition;
(b) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments;
(c) to make recommendations to the Board on the remuneration of non-executive directors;
(d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
(e) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
(f) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct;
(g) to prepare appropriate disclosure concerning the Remuneration Committee to be included in the CGR in the Company's annual report; and
(h) to ensure that the Committee's terms of reference are made available to shareholders and other interested parties.

Corporate Governance Report

NOMINATION OF DIRECTORS

The Company does not have a nomination committee but will consider setting up one when it is necessary. During the year, the appointment of Ms. Kee Chor Lin as the Chairman and an Executive Director was approved by the Board taking into account her knowledge of the industry and broad management experience.

ATTENDANCE OF INDIVIDUAL DIRECTORS

The attendance of individual Directors at the Board meetings and the Audit Committee meetings is set out below:

	Date of Board Meetings						Date of Audit Committee Meetings			
Name of director	18/4	30/5	15/7	16/9	10/10	16/12	11/4	15/7	9/9	16/12
Mr. Chan Ho Sing (1)	●	●	●	●	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Kee Chor Lin (2)	N/A	N/A	N/A	N/A	●	●	N/A	N/A	N/A	N/A
Mr. Ko Pak On	●	●	●	●	●	●	N/A	N/A	N/A	N/A
Mr. Chan Yu Ching, Eugene	●	●	●	●	●	●	N/A	N/A	N/A	N/A
Mr. Tso Yan Wing, Alan (3)	●	●	●	●	●	●	●	●	●	●
Dr. Li Sau Hung, Eddy	●	●	●	○	●	●	●	●	●	●
Mr. Lo Kwok Kwei, David	●	●	●	●	●	●	●	●	●	●
Mr. Mar, Selwyn	●	●	●	●	●	●	●	●	●	●

● Attended
○ Absent

(1) Mr. Chan Ho Sing passed away on 7 October 2008.
(2) Ms. Kee Chor Lin was appointed as Executive Director and Chairman on 10 October 2008.
(3) Mr. Tso Yan Wing, Alan attended the audit committee meetings as secretary to the committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the code of conducts regarding directors' securities transactions as set out in the Appendix 10 to the Listing Rules (the "Model Code"). Upon specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the year.

RESPONSIBILITY FOR PREPARATION OF ACCOUNTS

The Directors acknowledge that they are responsible for the preparation of financial statements in compliance with the relevant regulations and applicable accounting standards. The responsibility of the auditors with respect to the financial reporting are set out in the Independent Auditors' Report on pages 25 to 26.

Corporate Governance Report

INTERNAL CONTROL

The Board is responsible for maintaining effective internal control systems of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to evaluate the Group's risk, achieve the division goals and business objectives, maintain proper accounting records for the provision of financial information for internal analysis or for publication, comply with relevant legislation and regulations. The Board evaluated the effectiveness of the internal control system in the board meetings.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company establishes different communication channels with its shareholders and the investors: (i) the annual general meeting provides a forum for its shareholders to raise comments and exchange views with the Board, (ii) updated company news and published announcements of the Group are available on the websites of the Stock Exchange and the Company and (iii) different electronic means are opened to the shareholders and investors for communication channel and investors relations contact is disclosed on page 2 of this annual report and the Company's website.

SHAREHOLDERS' RIGHT

According to the Company's Bye-laws, any shareholders holding not less than 10% of the paid-up capital of the Company, can deposit a requisition to the Board or the Company Secretary of the Company to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

MANAGEMENT FUNCTIONS

A newly appointed Director, if any, shall be provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the conducting of businesses of the Group.

Report of the Directors

The directors of the Company (the "Directors") present their report and audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 103.

An interim dividend of HK3.0 cents per ordinary share was paid on 31 October 2008. The Directors recommend the payment of a final dividend of HK0.5 cents per ordinary share, totalling HK$2,390,000 payable on Friday, 3 July 2009, in respect of the year to shareholders whose names appear on the register of members on Tuesday, 2 June 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 104. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in notes 33 and 34 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$83,800,000 (2007: HK$105,070,000), of which HK$2,390,000 (2007: HK$26,295,000) has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$164,753,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$434,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 39.6% (2007: 45.7%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 18.1% (2007: 23.4%).

Purchases from the Group's five largest suppliers accounted for approximately 48.0% (2007: 48.4%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 21.1% (2007: 15.9%).

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

DIRECTORS

The directors of the Company during the year were as follows:

Executive Directors

Mr. Chan Ho Sing	(passed away on 7 October 2008)
Ms. Kee Chor Lin	(appointed on 10 October 2008)
Mr. Chan Yu Ching, Eugene	
Mr. Ko Pak On	
Mr. Tso Yan Wing, Alan	

Independent Non-executive Directors

Dr. Li Sau Hung, Eddy
Mr. Lo Kwok Kwei, David
Mr. Mar, Selwyn

Report of the Directors

In accordance with bye-law 86 of the Company's bye-laws, Ms. Kee Chor Lin will retire from office and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 87 of the Company's bye-laws, Dr. Li Sau Hung, Eddy and Mr. Mar, Selwyn, will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Dr. Li Sau Hung, Eddy, Mr. Lo Kwok Kwei, David and Mr. Mar, Selwyn pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at the annual general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION COMMITTEE

The Company has a Remuneration Committee which was established on 22 March 2006 in compliance with the Code on Corporate Governance Practices (the "CGP") as set out in Appendix 14 to the Listing Rules for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Group. The Remuneration Committee comprises two Independent Non-executive Directors ("INEDs") and one Executive Director.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

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

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

Long positions in ordinary shares and underlying shares of the Company:

		Number of shares and underlying shares held, capacity and nature of interest					
Name of director	**Notes**	**Capacity**	**Nature of interest**	**Interests in shares**	**Interest in underlying shares (options)**	**Interest in underlying shares (warrants)**	**Approximate percentage of the Company's issued share capital**
Kee Chor Lin	(a)	Beneficiary of discretionary trust	Family	209,689,667	—	20,968,966	48.25%
Kee Chor Lin	(b)	Interest of spouse	Family	30,709,667	—	2,395,566	6.92%
Kee Chor Lin		Beneficial owner	Personal	8,900,000	—	570,000	1.98%
				249,299,334	—	23,934,532	57.15%
Chan Yu Ching, Eugene		Beneficial owner	Personal	4,716,666	—	451,666	1.08%
Ko Pak On		Beneficial owner	Personal	2,066,666	1,000,000	206,666	0.68%
Tso Yan Wing, Alan		Beneficial owner	Personal	116,000	700,000	30,000	0.18%

Notes:

(a) These shares and warrants were owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Chan Ho Sing, the deceased ("Mr. Chan").

(b) The interest of spouse represented the ordinary shares and the warrants held by Mr. Chan.

Save as disclosed above and as disclosed under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES", as at 31 December 2008, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations 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 the Model Code.

Report of the Directors

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Share Option Scheme are disclosed in note 34 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options								Price of the Company's shares ***	
Name or category of participant	At 1 January 2008	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2008	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share	Immediately before the exercise date HK$ per share	At the exercise date of options HK$ per share
Directors										
Kee Chor Lin	200,000	–	(200,000)	–	–	8.8.2006	8.8.2007 to 25.5.2016	1.60	1.76	1.75
Chan Yu Ching, Eugene	200,000	–	(200,000)	–	–	8.8.2006	8.8.2007 to 25.5.2016	1.60	1.76	1.75
Ko Pak On	500,000	–	–	–	500,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
	500,000	–	–	–	500,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	1,000,000	–	–	–	1,000,000					
Tso Yan Wing, Alan	700,000	–	–	–	700,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
Other employees										
In aggregate	150,000	–	–	–	150,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
In aggregate	800,000	–	(50,000)	(50,000)	700,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	2.25	2.25
	950,000	–	(50,000)	(50,000)	850,000					
	3,050,000	–	(450,000)	(50,000)	2,550,000					

* The vesting period of the share options is from date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The prices of the Company's shares disclosed immediately before the exercise date and as at the date of exercise of the share options are the weighted average of the Stock Exchange closing prices immediately before the dates and as at the dates on which the options were exercised over all of the exercises of options within the disclosure line, respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the following interests and short positions of 5% or more of the issued share capital and share options and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions as at 31 December 2008:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Interest in underlying shares (warrants)	Approximate percentage of the Company's issued share capital
Man Yue Holdings Inc. ("MYHI")	1 & 3	Beneficial interest	209,689,667	20,968,966	48.25%
Mico Global Inc. ("MGI")	1, 2 & 3	Corporate/Interest of controlled corporation	209,689,667	20,968,966	48.25%
RBTT Trust Corporation	2 & 3	Trust/Trustee of discretionary trust	209,689,667	20,968,966	48.25%
DJE Investment S.A. ("DJE")	4, 5 & 6	Beneficial interest	42,600,000	—	8.91%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	4, 5 & 6	Corporate/Interest of controlled corporation	42,600,000	—	8.91%
Dr Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	6	Corporate/interest of controlled corporation	42,600,000	—	8.91%
Martin Currie (Holdings) Limited		Beneficial interest	28,815,000	—	6.03%

Notes:

1. MGI holds a 100% direct interest in MYHI and is accordingly deemed to have interests in shares and warrants interested by MYHI.
2. RBTT Trust Corporation as trustee of the family trust of Mr. Chan, holds a 100% direct interest in MGI and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by MGI.
3. The interests of MYHI, MGI and RBTT Trust Corporation are in respect of the same 209,689,667 shares and 20,968,966 underlying shares and duplicated each other.
4. DJE AG holds an 81% interest in DJE and is accordingly deemed to have interests in shares interested by DJE.
5. Dr. Ehrhardt holds a 68.5% interest in DJE AG and is accordingly deemed to have interests in shares interested by or deemed to be interested by DJE AG.
6. The interests of DJE, DJE AG and Dr. Ehrhardt are in respect of the same 42,600,000 shares and duplicated each other.

Save as disclosed above, as at 31 December 2008, no person, other than the directors, whose interests are set out in the section "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

2007 loan agreement

In accordance with a loan agreement dated 19 November 2007 between the Company and a syndicate of lenders (collectively, the "Participating Lenders") relating to an interest-bearing 4-year transferable term loan facility in an aggregate amount of HK$480,000,000, an event of default would arise if:

- Mr. Chan ceases to be the Chairman of the Group; or
- Mr. Chan ceases to be actively involved in the day-to-day management and business of the Company.

As Mr. Chan passed away in the evening of 7 October 2008, the Company has liaised with the Participating Lenders for a waiver of the above requirements. Pursuant to the loan agreement, any term of the loan agreement may be amended or waived with the prior written consent of a majority of those Participating Lenders whose loan commitments aggregate to 66⅔% or more of the total loan commitments of the Participating Lenders under the loan agreement (the "Majority Lenders"). On 4 December 2008, the Group has obtained the consent from the Majority Lenders to waive the above requirements on conditions that:

(i) Ms. Kee Chor Lin and Mr. Chan Yu Ching, Eugene, both being the Executive Directors of the Company, shall remain on the Board or to be actively involved in the day-to-day management and business of the Company;
(ii) the annual interest rate for the loan advanced or to be advanced pursuant to the loan agreement shall be increased by 0.785%; and
(iii) the Company shall place a deposit of US$10 million with the agent bank of the Participating Lenders for a 6-month period.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group. The Audit Committee comprises three INEDs of the Company and none of whom is employed by or otherwise affiliated with former or existing auditors of the Company.

AUDITORS

The financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for reappointment as auditors of the Company.

ON BEHALF OF THE BOARD

Kee Chor Lin
Chairman

Hong Kong
21 April 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Man Yue International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Man Yue International Holdings Limited set out on pages 27 to 103, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated summary statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditors' Report

To the shareholders of Man Yue International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

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

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

21 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
REVENUE	5	**1,285,979**	1,380,334
Cost of sales		**(1,039,487)**	(1,090,746)
Gross profit		**246,492**	289,588
Other income and gains	5	**89,220**	12,723
Selling and distribution costs		**(47,400)**	(49,043)
Administrative expenses		**(171,078)**	(133,260)
Other operating expenses		**(1,956)**	(4,172)
		115,278	115,836
Changes in fair value of investment properties	16	**(6,100)**	29,202
Finance costs	6	**(27,362)**	(23,148)
Finance income	7	**12,897**	2,694
Net finance costs		**(14,465)**	(20,454)
Share of results of jointly-controlled entities		**10,482**	18,349
Share of results of an associate		**1,928**	—
		12,410	18,349
PROFIT BEFORE TAX	8	**107,123**	142,933
Tax	11	**(16,926)**	(7,168)
PROFIT FOR THE YEAR		**90,197**	135,765
Attributable to:			
Equity holders of the Company	12	**90,197**	135,765
DIVIDENDS	13	**16,733**	40,659
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic		**HK18.87 cents**	HK28.88 cents
Diluted		**N/A**	HK28.65 cents

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**677,912**	574,619
Investment properties	16	**29,500**	71,000
Prepaid land premiums	17	**95,517**	91,797
Other intangible asset	18	**—**	4
Investments in jointly-controlled entities	20	**42,716**	26,230
Investment in an associate	21	**35,851**	—
Deposits on purchases of property, plant and equipment		**29,953**	41,914
Prepayments		**1,650**	8,543
Deferred tax assets	31	**4,634**	3,167
Total non-current assets		**917,733**	817,274
CURRENT ASSETS			
Inventories	22	**305,898**	264,797
Trade receivables	23	**278,556**	303,808
Prepayments, deposits and other receivables		**84,227**	40,566
Loans to a jointly-controlled entity	20	**55,848**	44,302
Due from jointly-controlled entities	20	**15,624**	3,854
Available-for-sale investments	24	**2,570**	8,476
Short term investments	25	**38**	119
Derivative financial instruments	26	**1,984**	5,145
Tax recoverable		**8,546**	1,415
Cash and cash equivalents	27	**406,466**	390,683
Total current assets		**1,159,757**	1,063,165
CURRENT LIABILITIES			
Trade payables	28	**182,987**	243,791
Other payables and accrued liabilities		**78,879**	70,902
Derivative financial instruments	26	**1,308**	2,001
Tax payable		**4,618**	4,304
Bank loans	29	**474,976**	194,487
Finance lease payables	30	**21**	254
Dividend payable		**5,078**	16
Total current liabilities		**747,867**	515,755
NET CURRENT ASSETS		**411,890**	547,410
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,329,623**	1,364,684

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,329,623**	1,364,684
NON-CURRENT LIABILITIES			
Bank loans	29	**300,286**	459,814
Finance lease payables	30	**—**	21
Provision for long service payments		**1,578**	1,578
Deferred tax liabilities	31	**6,072**	2,581
Deferred income	32	**61,437**	60,019
Total non-current liabilities		**369,373**	524,013
Net assets		**960,250**	840,671
EQUITY			
Share capital	33	**47,809**	47,764
Reserves	35	**903,928**	766,612
Proposed final dividend	13	**2,390**	26,295
Equity attributable to equity holders of the Company		**954,127**	840,671
Minority interests	35	**6,123**	—
Total equity		**960,250**	840,671

Kee Chor Lin
Director

Tso Yan Wing, Alan
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
Equity attributable to equity holders of the Company:			
At 1 January		**840,671**	606,303
Changes in fair value of available-for-sale investments	35	**(4,218)**	1,482
Disposal of available-for-sale investments	35	**–**	(4,358)
Net gain on cash flow hedges	35	**–**	785
Share of reserve of a jointly-controlled entity		**1,584**	–
Surplus on revaluation of buildings, net	35	**84**	691
Deferred tax debited to equity	35	**(84)**	(179)
Exchange differences on translation of the financial statements of foreign entities	35	**65,803**	71,219
Total income and expense recognised directly in equity		**63,169**	69,640
Profit for the year attributable to equity holders of the Company	35	**90,197**	135,765
Total income and expense for the year		**153,366**	205,405
Share options exercised		**720**	5,097
Warrants exercised	33	**8**	6,241
Placement of shares	33	**–**	47,969
Share issue expenses	33	**–**	(1,402)
Costs in the granting of share options	35	**–**	1,962
Final dividend		**(26,295)**	(16,598)
Interim dividend	13	**(14,343)**	(14,306)
At 31 December		**954,127**	840,671

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**107,123**	142,933
Adjustments for:			
Finance costs	6	**27,362**	23,148
Share of results of jointly-controlled entities		**(10,482)**	(18,349)
Share of results of an associate		**(1,928)**	—
Dividend income	5	**(444)**	(451)
Bank interest income	7	**(12,897)**	(2,694)
Gain on disposal of an investment property	5	**(7,752)**	—
(Gain)/loss on disposal of property, plant and equipment	8	**(145)**	400
Depreciation of property, plant and equipment	8	**75,724**	56,983
Recognition of prepaid land premiums	8	**1,613**	994
Amortisation of other intangible asset	8	**3**	93
Deferred income recognised as income	8	**(1,350)**	(207)
Impairment of available-for-sale investments	8	**1,271**	—
Realised loss/(gain) on disposal of available-for-sale investments, net	8	**224**	(11,122)
Fair value loss/(gain) on short term investments	8	**81**	(29)
Fair value loss/(gain) on derivative instruments — transactions not qualifying as hedges	8	**2,468**	(3,144)
Costs in the granting of share options	8	**—**	1,962
Deficit on revaluation of buildings	8	**—**	3,697
Changes in fair value of investment properties	16	**6,100**	(29,202)
		186,971	165,012
Increase in inventories		**(14,590)**	(56,741)
Decrease/(increase) in trade receivables		**41,905**	(16,445)
Increase in prepayments, deposits and other receivables		**(41,966)**	(6,073)
Increase in amounts due from jointly-controlled entities		**(11,770)**	(1,770)
(Decrease)/increase in trade payables		**(96,104)**	70,708
Increase in other payables and accrued liabilities		**1,593**	8,923
Decrease in provision for long service payments		**—**	(211)
Cash generated from operations		**66,039**	163,403
Proceeds from disposal of available-for-sale investments		**346**	17,293
Purchase of available-for-sale investments		**—**	(394)
Dividends received		**444**	451
Interest received		**12,897**	2,694
Interest paid		**(27,352)**	(23,116)
Interest element on finance lease rental payments		**(10)**	(32)
Hong Kong profits tax paid		**(3)**	(1,374)
PRC and overseas taxes paid		**(14,893)**	(8,267)
Purchase of tax reserve certificates		**(7,200)**	(1,280)
Net cash inflow from operating activities		**30,268**	149,378

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities		**30,268**	149,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits for purchase of property, plant and equipment		**–**	(40,543)
Increase in prepayments		**–**	(8,862)
Purchases of property, plant and equipment		**(105,629)**	(111,436)
Proceeds from disposal of property, plant and equipment		**2,777**	6,987
Additions to prepaid land premiums		**–**	(11,647)
Advances to jointly-controlled entities		**(11,546)**	(16,612)
Purchase of shareholding in an associate		**(37,792)**	–
Proceeds from disposal of investment property		**43,152**	–
Acquisition of a business	36	**(18,849)**	–
Increase in deposits with original maturity date of over three months		**(77,499)**	–
Net cash outflow from investing activities		**(205,386)**	(182,113)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share options exercised		**720**	5,097
Warrants exercised	33	**8**	6,241
Placement of shares	33	**–**	47,969
Share issue expenses	33	**–**	(1,402)
New bank loans		**786,403**	547,821
Repayment of bank loans		**(669,855)**	(275,817)
New other loans		**–**	12,169
Capital element of finance lease rental payments		**(254)**	(447)
Contribution from minority interests		**6,123**	–
Dividends paid		**(35,576)**	(30,896)
Net cash inflow from financing activities		**87,569**	310,735
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(87,549)**	278,000
Effect of foreign exchange rate changes, net		**25,833**	22,047
Cash and cash equivalents at beginning of year		**390,683**	90,636
CASH AND CASH EQUIVALENTS AT END OF YEAR		**328,967**	390,683
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**216,633**	92,007
Time deposits with original maturity of less than three months when acquired		**112,334**	298,676
		328,967	390,683

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**63,823**	63,823
Prepayments		**1,650**	8,543
Total non-current assets		**65,473**	72,366
CURRENT ASSETS			
Due from subsidiaries	19	**758,629**	679,600
Prepayments, deposits and other receivables		**1,407**	5,754
Derivative financial instruments	26	**—**	1,402
Cash and cash equivalents	27	**5,123**	8,874
Total current assets		**765,159**	695,630
CURRENT LIABILITIES			
Due to subsidiaries	19	**59,870**	14,224
Other payables and accrued liabilities		**16,258**	12,744
Tax payable		**2,000**	—
Bank loans	29	**154,743**	58,686
Dividend payable		**5,078**	16
Total current liabilities		**237,949**	85,670
NET CURRENT ASSETS		**527,210**	609,960
TOTAL ASSETS LESS CURRENT LIABILITIES		**592,683**	682,326
NON-CURRENT LIABILITIES			
Bank loans	29	**292,286**	361,314
Provision for long service payments		**324**	324
Total non-current liabilities		**292,610**	361,638
Net assets		**300,073**	320,688
EQUITY			
Share capital	33	**47,809**	47,764
Reserves	35	**249,874**	246,629
Proposed final dividend	13	**2,390**	26,295
Total equity		**300,073**	320,688

Kee Chor Lin
Director

Tso Yan Wing, Alan
Director

Notes to Financial Statements

31 December 2008

1. CORPORATE INFORMATION

Man Yue International Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The register office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the principal activities of the Group consists of the manufacture and trading of electronic components; the trading of raw materials and the trading of equity investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC) — Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC) — Int 12	*Service Concession Arrangements*
HK(IFRIC) — Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC) — Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

HK(IFRIC) — Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) — Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC) — Int 12 *Service Concession Arrangements*

HK(IFRIC) — Int 12 applies to service concession operators and explains how to account for the obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

Notes to Financial Statements

31 December 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(d) HK(IFRIC) — Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC) — Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

Notes to Financial Statements

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for transfers of assets received on or after 1 July 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 7 Amendments require enhanced disclosure about fair value measurements and liquidity risk. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

Notes to Financial Statements

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

HK(IFRIC) — Int 9 and HKAS 39 Amendments clarify the assessment of embedded derivatives if the fair value of the embedded derivative that would have to be separated cannot be measured separately. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

Notes to Financial Statements

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HK(IFRIC) — Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

HK(IFRIC) — Int 15 will replace HK Interpretation 3 *Revenue — Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC) — Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. The Group is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment.

HK(IFRIC) — Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC) — Int 18 clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). As the Group does not have such arrangement, the interpretation is unlikely to have any financial impact on the Group.

In October 2008, the HKICPA issued its first *Improvements* to *HKFRSs* which sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

Notes to Financial Statements

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest.

(b) HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

(c) HKAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the balance sheet.

(d) HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is calculated as the higher of an asset's fair value less costs to sell and its value in use.

In addition, items held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

(e) HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

(f) HKAS 27 *Consolidated and Separate Financial Statements* Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

(g) HKAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

(h) HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

(i) HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

(j) HKAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly-controlled entities (continued)

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively.

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the associate is included as part of the Group's interest in the associate.

The results of the associate is included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in the associate is treated as non-current asset and is stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of an associate (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for interest in associate is included in the Group's share of the associate's profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

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

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

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	2%
Machinery and equipment	9%–20%
Furniture and fixtures	18%–20%
Motor vehicles	18%–20%
Leasehold improvements	9%–20%

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

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

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

Construction in progress represents factory buildings, office premises and workers' dormitories and related infrastructure projects under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Intangible asset (other than goodwill)

The useful life of intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Technology know-how

Technology know-how was acquired for use in the production of certain high technology electronic components. Expenditure incurred on the acquisition of technology know-how is capitalised and stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the useful life of the technology know-how of three years.

Research and development costs

All research costs are charged to the income statement as incurred.

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

Financial assets at fair value through profit or loss

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

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest earned is reported as interest income and is recognised in the income statement as "Other income" in accordance with the policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

Impairment of financial assets

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

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance amount. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities at amortised cost (including bank loans)

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

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

Financial liabilities at fair value through profit or loss

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

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

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at fair value through profit or loss (continued)

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

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

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used to amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

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

Trade and other receivables

Trade and other receivables generally have credit terms ranging from 15 to 150 days.

Cash and cash equivalents

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

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

Trade and other payables

Liabilities for trade and other payables, which are normally settled on terms of 7 to 120 days, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision

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

Income tax

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

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

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

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Income from the trading of securities is recognised on the date when the transaction takes place.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Share option scheme

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 34 to the financial statements. In valuing the granting of share options, no account is taken of any performance conditions, other than conditions linked to the historical price of the shares of the Company ("market conditions"), if applicable.

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

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

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7 November 2002.

The financial impact of share options granted to employees on or before 7 November 2002 under the Share Option Scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Employment Ordinance — long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Pension schemes

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

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

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

Notes to Financial Statements

31 December 2008

3. SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 31 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, impairment losses of HK$1,271,000 (after a transfer from available-for-sale investment revaluation reserve of a deficit of HK$4,218,000) have been recognised for available-for-sale assets (2007: Nil). The carrying amount of available-for-sale assets was HK$2,570,000 (2007: HK$8,476,000).

Notes to Financial Statements

31 December 2008

4. SEGMENT INFORMATION

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

No further business segment information is presented as over 90% of the Group's revenue and assets relate to the manufacture and trading of electronic components and electrical products.

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

(a) Geographical segments

The following table presents revenue and certain assets and capital expenditure information of the Group by geographical segments for the year ended 31 December 2008 and 2007.

	Hong Kong		Mainland China		Taiwan		Southeast Asia		Europe		Korea		United States of America		Other countries		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment revenue:																		
Sales to external customers	**136,285**	151,653	**342,745**	360,411	**491,741**	521,548	**170,595**	227,289	**46,863**	35,114	**31,667**	53,594	**32,657**	20,968	**33,426**	9,757	**1,285,979**	1,380,334
Other segment information:																		
Segment assets	**284,060**	286,288	**1,483,410**	1,377,398	**79,854**	84,065	**18,066**	30,100	**11,849**	6,077	**2,416**	3,413	**2,896**	3,675	**29,112**	1,860	**1,911,663**	1,792,876
Interests in jointly-controlled entities	**–**	–	**114,188**	74,386	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**114,188**	74,386
Investment in an associate	**–**	–	**–**	–	**35,851**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**35,851**	–
Unallocated assets																	**15,788**	13,177
																	2,077,490	1,880,439
Capital expenditure	**–**	2,010	**161,195**	175,045	**37,792**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**198,987**	177,055

Notes to Financial Statements

31 December 2008

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for trade returns and discounts; income from the sale of equity investments; and dividend income.

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

	Group	
	2008 HK$'000	2007 HK$'000
Revenue		
Manufacture and trading of electronic components	**1,272,989**	1,339,386
Trading of raw materials	**12,546**	29,375
Sales of equity investments	**—**	11,122
Dividend income from available-for-sale investments	**444**	451
	1,285,979	1,380,334
Other income		
Insurance compensation	**77,881**	—
Reinvestment tax credit	**—**	4,564
Others	**3,587**	3,083
	81,468	7,647
Gains		
Gain on disposal of an investment property	**7,752**	—
Fair value gain on derivative instruments — transactions not qualifying as hedges	**—**	5,076
	7,752	5,076
	89,220	12,723

6. FINANCE COSTS

	Group	
	2008 HK$'000	2007 HK$'000
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	**27,352**	23,116
Interest on finance leases	**10**	32
	27,362	23,148

Notes to Financial Statements

31 December 2008

7. FINANCE INCOME

	Group	
	2008 **HK$'000**	2007 HK$'000
Interest income from term deposits and bank balances	**12,897**	2,694

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting) the following:

		Group	
	Notes	**2008** **HK$'000**	2007 HK$'000
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**142,013**	140,620
Costs in the granting of share options	34	**—**	1,962
Pension scheme contributions		**12,628**	2,780
Reversal of unutilised amounts for long service payments		**—**	(211)
		154,641	145,151
Cost of inventories sold		**790,756**	885,058
Auditors' remuneration		**1,980**	1,800
Depreciation for property, plant and equipment	15	**75,724**	56,983
Recognition of prepaid land premiums	17	**1,613**	994
Amortisation of other intangible asset*	18	**3**	93
Foreign exchange differences, net		**12,967**	13,798
Minimum lease payments under operating leases for land and buildings		**29,701**	23,556
Impairment of available-for-sale investments	24	**1,271**	—
Impairment of inventories		**14,915**	—
Impairment/(reversal of impairment) of trade receivables, net	23	**9,556**	(550)
Fair value loss/(gain) on short term investments		**81**	(29)
Fair value loss/(gain) on derivative instruments — transactions not qualifying as hedges, net	26	**2,468**	(3,144)
Realised loss/(gain) on disposal of available-for-sale investments, net		**224**	(11,122)
Deferred income recognised as income		**(1,350)**	(207)
(Gain)/loss on disposal of property, plant and equipment		**(145)**	400
Deficit on revaluation of buildings		**—**	3,697

* The amortisation of other intangible asset for the year is included in "Cost of sales" on the face of the consolidated income statement.

Notes to Financial Statements

31 December 2008

9. DIRECTORS' REMUNERATION

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

	Group	
	2008 **HK$'000**	2007 HK$'000
Fees	**990**	900
Other emoluments:		
Salaries and allowances	**10,460**	5,616
Discretionary bonuses	**5,053**	5,543
Costs in the granting of share options	**–**	433
Pension scheme contributions	**49**	24
Total directors' remuneration	**16,552**	12,516

(a) Independent Non-executive Directors

The fees paid to INEDs during the year were as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Mar, Selwyn	**330**	300
Li Sau Hung, Eddy	**330**	300
Lo Kwok Kwei, David	**330**	300
	990	900

There were no other emoluments payable to INEDs during the year (2007: Nil).

Notes to Financial Statements

31 December 2008

9. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive Directors

	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Group Costs in the granting of share options HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive Directors:					
Chan Ho Sing	**4,537**	**4,000**	**–**	**10**	**8,547**
Kee Chor Lin (Note (a))	**477**	**64**	**–**	**3**	**544**
Chan Yu Ching, Eugene	**2,869**	**340**	**–**	**12**	**3,221**
Ko Pak On	**897**	**369**	**–**	**12**	**1,278**
Tso Yan Wing, Alan	**1,680**	**280**	**–**	**12**	**1,972**
	10,460	**5,053**	**–**	**49**	**15,562**
2007					
Executive Directors:					
Chan Ho Sing	4,590	5,000	–	12	9,602
Chan Yu Ching, Eugene (Note (b))	97	19	7	–	123
Ko Pak On	871	509	426	12	1,818
Tso Yan Wing, Alan (Note (b))	58	15	–	–	73
	5,616	5,543	433	24	11,616

Notes:

(a) Ms. Kee Chor Lin was appointed as director of the Company on 10 October 2008. Remuneration payable subsequent to this date was included as directors' remuneration for the year ended 31 December 2008.

(b) As Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan were appointed on 18 December 2007, only 14 days' remuneration of them was considered as directors' remuneration of the year ended 31 December 2007.

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

Notes to Financial Statements

31 December 2008

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 9 above.

During the year, only a portion of the remuneration of Ms. Kee Chor Lin was considered as directors' remuneration as set out in note 9 and she is considered one of the five highest paid employees in 2008, her full year's remuneration including the portion disclosed in note 9 has been included in this disclosure note.

In 2007, as only a portion of the remuneration of Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan was considered in directors' remuneration as set out in note 9, and both of them were considered one of the five highest paid employees for the year ended 31 December 2007, their full year's remuneration including the portion disclosed in note 9, has been included in the disclosure above.

Details of the remuneration of the remaining two (2007: three) highest paid employees for the year are as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Salaries and allowances	**3,252**	5,486
Discretionary bonuses	**329**	1,266
Costs in the granting of share options	**–**	341
Pension scheme contributions	**24**	36
	3,605	7,129

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

	Number of employees	
	2008	2007
HK$1,000,000 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
	2	3

Notes to Financial Statements

31 December 2008

11. TAX

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

	Group	
	2008 **HK$'000**	2007 HK$'000
Charge for the year:		
Current:		
Hong Kong	**2,415**	279
Mainland China	**12,573**	9,167
Overseas	**(6)**	6
Overprovision in prior years	**(25)**	(529)
	14,957	8,923
Deferred (note 31)	**1,969**	(1,755)
Total tax charge for the year	**16,926**	7,168

In accordance with the relevant tax rules and regulations in Mainland China, certain subsidiaries in Mainland China enjoy tax reductions. Accordingly the subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 12.5% to 25%.

The tax affairs of certain subsidiaries of the Group for prior years are currently under review by the Hong Kong Inland Revenue Department ("IRD"). In connection with the review of the IRD, notices of assessments were issued to the concerned subsidiaries for the years from 1998 to 2001 and objections were lodged with the IRD. Tax reserve certificates of approximately HK$8,480,000 were purchased by the Group as at the year end date.

Whilst management considers that the subsidiaries have grounds to support their tax position for prior years, the outcome of the review remains undetermined at the date of this announcement. The directors of the Company, after consultation with the Company's tax advisers, consider that it is premature to estimate the amount of potential liabilities, if any, that may arise from the review and accordingly no additional tax provision has been made in the financial statements as at 31 December 2008.

Notes to Financial Statements

31 December 2008

11. TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group — 2008

	Hong Kong		Mainland China		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	30,987		67,044		9,092		107,123	
Tax at the statutory tax rate	5,113	16.5	16,761	25.0	909	10.0	22,783	21.3
Lower tax rate for specific local authority	—		(9,830)		—		(9,830)	
Effect on opening deferred tax of decrease in rates	61		—		—		61	
Profits attributable to jointly-controlled entities and an associate	—		7,492		—		7,492	
Income not subject to tax	(9,828)		(4,413)		(971)		(15,212)	
Expenses not deductible for tax	7,447		216		56		7,719	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	2,799		—		—		2,799	
Tax losses utilised from previous periods	(2,385)		—		—		(2,385)	
Tax losses not recognised	1,063		2,436		—		3,499	
Tax charge at the Group's effective rate	4,270	13.8	12,662	18.9	(6)	—	16,926	15.8

Notes to Financial Statements

31 December 2008

11. TAX (CONTINUED)

Group — 2007

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Others HK$'000	%	Total HK$'000	%
Profit before tax	10,239		118,244		14,450		142,933	
Tax at the statutory tax rate	1,792	17.5	28,665	24.2	1,445	10.0	31,902	22.3
Lower tax rate for specific local authority	—		(17,350)		(1,500)		(18,850)	
Profits attributable to jointly-controlled entities	—		(1,835)		—		(1,835)	
Income not subject to tax	(5,894)		(1,222)		—		(7,116)	
Expenses not deductible for tax	2,480		442		61		2,983	
Tax losses utilised from previous periods	(871)		—		—		(871)	
Tax losses not recognised	1,094		390		—		1,484	
Adjustments in respect of current tax of previous periods	(529)		—		—		(529)	
Tax charge at the Group's effective rate	(1,928)	(18.8)	9,090	7.7	6	—	7,168	5.0

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit for the year attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of HK$19,295,000 (2007: HK$41,421,000) which has been dealt with in the financial statements of the Company (note 35).

Notes to Financial Statements

31 December 2008

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
2007		
Additional final dividend	**–**	58
2008		
Interim — HK3.0 cents (2007: HK3.0 cents) per ordinary share	**14,343**	14,306
Proposed final — HK0.5 cents (2007: HK5.5 cents) per ordinary share	**2,390**	26,295
	16,733	40,659

In 2007, subsequent to the approval of the 2006 financial statements and prior to the book close period of the 2007 final dividends, additional 1,650,000 ordinary shares were issued by the Company as a result of share options being exercised by the employees. Accordingly, an additional 2006 final dividend amounted to HK$58,000 was paid in 2007.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$90,197,000 (2007: HK$135,765,000), and the weighted average of 478,035,000 (2007: 470,050,000) ordinary shares in issue during the year.

A diluted earnings per share for the year ended 31 December 2008 has not been disclosed as the warrants outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

In 2007, the calculation of diluted earnings per share was based on the profit for the year attributable to equity holders of the Company of HK$135,765,000. The weighted average number of ordinary shares used in the calculation was 470,050,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 2,567,000 and 1,286,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options, respectively, during the prior year.

Notes to Financial Statements

31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost or valuation	76,260	637,498	29,104	11,328	58,244	41,235	853,669
Accumulated depreciation	–	(238,037)	(13,443)	(6,248)	(21,322)	–	(279,050)
Net carrying amount	76,260	399,461	15,661	5,080	36,922	41,235	574,619
At 1 January 2008, net of accumulated depreciation	76,260	399,461	15,661	5,080	36,922	41,235	574,619
Additions	–	69,686	2,934	1,177	5,003	20,692	99,492
Acquisition from business combination (note 36)	–	32,928	–	–	–	–	32,928
Disposals	–	(2,105)	(60)	(266)	(201)	–	(2,632)
Surplus on revaluation	84	–	–	–	–	–	84
Depreciation provided during the year	(4,652)	(62,893)	(4,163)	(1,786)	(2,230)	–	(75,724)
Transfer from prepayments, deposits and other receivables	–	18,098	–	–	–	–	18,098
Transfer	34,305	26,302	–	–	–	(60,607)	–
Exchange realignment	8,735	18,575	519	596	430	2,192	31,047
At 31 December 2008, net of accumulated depreciation	114,732	500,052	14,891	4,801	39,924	3,512	677,912
At 31 December 2008:							
Cost or valuation	114,732	787,467	31,413	11,594	66,884	3,512	1,015,602
Accumulated depreciation	–	(287,415)	(16,522)	(6,793)	(26,960)	–	(337,690)
Net carrying amount	114,732	500,052	14,891	4,801	39,924	3,512	677,912
Analysis of cost or valuation:							
At cost	–	787,467	31,413	11,594	66,884	3,512	900,870
At 2008 valuation	114,732	–	–	–	–	–	114,732
	114,732	787,467	31,413	11,594	66,884	3,512	1,015,602

Notes to Financial Statements

31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost or valuation	90,263	521,286	19,911	10,645	22,403	51,201	715,709
Accumulated depreciation	–	(180,227)	(11,438)	(4,772)	(20,204)	–	(216,641)
Net carrying amount	90,263	341,059	8,473	5,873	2,199	51,201	499,068
At 1 January 2007, net of accumulated depreciation	90,263	341,059	8,473	5,873	2,199	51,201	499,068
Additions	13	82,844	8,572	698	–	25,897	118,024
Disposals	–	(6,935)	(279)	(140)	(33)	–	(7,387)
Transfer to investment properties (note 16)	(13,600)	–	–	–	–	–	(13,600)
Deficit on revaluation	(3,006)	–	–	–	–	–	(3,006)
Depreciation provided during the year	(3,082)	(48,910)	(2,344)	(1,624)	(1,023)	–	(56,983)
Transfers	1,596	2,992	21	–	34,479	(39,088)	–
Exchange realignment	4,076	28,411	1,218	273	1,300	3,225	38,503
At 31 December 2007, net of accumulated depreciation	76,260	399,461	15,661	5,080	36,922	41,235	574,619
At 31 December 2007:							
Cost or valuation	76,260	637,498	29,104	11,328	58,244	41,235	853,669
Accumulated depreciation	–	(238,037)	(13,443)	(6,248)	(21,322)	–	(279,050)
Net carrying amount	76,260	399,461	15,661	5,080	36,922	41,235	574,619
Analysis of cost or valuation:							
At cost	–	637,498	29,104	11,328	58,244	41,235	777,409
At 2007 valuation	76,260	–	–	–	–	–	76,260
	76,260	637,498	29,104	11,328	58,244	41,235	853,669

The net book value of the Group's property, plant and machinery held under finance leases included in the total amount of motor vehicles at 31 December 2008 amounted to HK$367,000 (2007: HK$799,000).

The Group's buildings were revalued individually on 31 December 2008 by Chung, Chan & Associates, independent professionally qualified valuers, at an aggregate open market value of HK$114,732,000 based on their existing use. A revaluation surplus of HK$84,000, resulting from the above valuations, has been credited to the relevant asset revaluation reserve. Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying values would have been approximately HK$85,445,000 (2007: HK$71,963,000).

Notes to Financial Statements

31 December 2008

16. INVESTMENT PROPERTIES

		Group	
	Notes	**2008** **HK$'000**	2007 HK$'000
Carrying amount at 1 January		**71,000**	—
Disposal		**(35,400)**	—
Net (loss)/profit from a fair value adjustment		**(6,100)**	29,202
Transfer from property, plant and equipment	15	**—**	13,600
Transfer from prepaid land premiums	17	**—**	28,198
Carrying amount at 31 December		**29,500**	71,000

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2008 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$29,500,000 on an open market, existing use basis.

17. PREPAID LAND PREMIUMS

		Group	
	Note	**2008** **HK$'000**	2007 HK$'000
Carrying amount at 1 January		**93,750**	60,124
Additions		**—**	59,031
Transfer to investment properties	16	**—**	(28,198)
Recognised during the year		**(1,613)**	(994)
Exchange realignment		**5,439**	3,787
Carrying amount at 31 December		**97,576**	93,750
Current portion included in prepayments, deposits and other receivables		**(2,059)**	(1,953)
Non-current portion		**95,517**	91,797

Notes to Financial Statements

31 December 2008

17. PREPAID LAND PREMIUMS (CONTINUED)

An analysis of the Group's leasehold land is as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Medium term leases:		
Hong Kong	**8,138**	8,347
Mainland China	**89,438**	85,403
	97,576	93,750

18. OTHER INTANGIBLE ASSET

	Group	
	Technology know-how	
	2008 **HK$'000**	2007 HK$'000
Cost at 1 January, net of accumulated amortisation	**4**	94
Amortisation provided during the year	**(3)**	(93)
Exchange realignment	**(1)**	3
At 31 December	**–**	4
At 31 December:		
Cost	**1,319**	1,319
Accumulated amortisation	**(1,319)**	(1,315)
Net carrying amount	**–**	4

19. INTERESTS IN SUBSIDIARIES

	Company	
	2008 **HK$'000**	2007 HK$'000
Unlisted shares, at cost	**63,823**	63,823
Due from subsidiaries	**758,629**	679,600
Due to subsidiaries	**(59,870)**	(14,224)
	762,582	729,199

The amounts due from and to subsidiaries are included in the Company's current assets and current liabilities, respectively. They are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements

31 December 2008

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/registered capital	Percentage of equity attributable to the Company		Principal activities
			2008	2007	
Dongguan Manixon New Materials and Components Company Limited (Formerly known as Dongguan Ostor-Samxon Electronics Co. Ltd.)#*	People's Republic of China/ Mainland China	Registered US$9,590,000	**100**	100	Manufacture and sale of electronic components
Jiangxi Telexon Electronics Company Limited#*	People's Republic of China/ Mainland China	Registered RMB36,400,000	**89**	–	Manufacture and sale of electronic components
Johnstone International Limited	British Virgin Islands/Hong Kong	Ordinary US$1	**100**	100	Investment holding
Long Trade (Macao Commercial Offshore) Limited*	Macau	Registered MOP100,000	**100**	100	Trading of raw materials
Man Fat International Trading (Shanghai) Co., Ltd.#*	People's Republic of China/ Mainland China	Registered US$200,000	**100**	100	Trading of electronic components
Man Jin Electronics (Shenzhen) Company Limited#*	People's Republic of China/ Mainland China	Registered HK$600,000	**100**	100	Trading of electronic components
Man Yue Electronics Company Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$3,000,000	**100**	100	Trading of electronic components
Man Yue Holdings (BVI) Limited	British Virgin Islands/Hong Kong	Ordinary US$10,000	**100**	100	Investment holding
Man Yue Technology Limited	British Virgin Islands/Hong Kong	Ordinary US$10	**100**	100	Investment holding
Man Yue Technology (China) Limited#*	People's Republic of China/ Mainland China	Registered US$48,000,000	**100**	100	Investment holding
Manixon Electronics Company Ltd	Hong Kong	Ordinary HK$1	**100**	100	Trading of electronic components
MMS Electronics Company Limited	Hong Kong	Ordinary HK$1	**100**	100	Trading of electronic components
MMS Logistics Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Trading of electronic components
Rifeng Qingyuan Electronic Company Limited#*	People's Republic of China/ Mainland China	Registered HK$80,000,000	**100**	100	Manufacture and sale of raw materials
Samxon Electronic Components LLC*	USA	Contributed US$1,000	**100**	100	Provision of marketing-related services
Samxon Electronics (Dongguan) Co., Ltd.#*	People's Republic of China/ Mainland China	Registered US$46,775,000	**100**	100	Manufacture and sale of electronic components
Searange Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Trading of equity investments

Notes to Financial Statements

31 December 2008

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/registered capital	Percentage of equity attributable to the Company		Principal activities
			2008	2007	
Splendid Skills Holdings Ltd.	British Virgin Islands/Hong Kong	Ordinary US$10	**100**	100	Investment holding
Stand New Enterprise Ltd.	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
TradeUNIT Limited	British Virgin Islands/Hong Kong	Ordinary HK$9,500,000	**100**	100	Trading of raw materials and electronic components
Wuxi Man Yue Electronics Company Limited#*	People's Republic of China/ Mainland China	Registered US$30,000,000	**100**	100	Manufacture and sale of electronic components
Xin Jiang Join Yue Electronics New Materials Company Limited#*	People's Republic of China/ Mainland China	Registered US$8,000,000	**100**	100	Manufacture and sale of raw materials

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

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

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	**42,716**	26,230
Loans to a jointly-controlled entity	**55,848**	44,302
Due from jointly-controlled entities	**15,624**	3,854
	114,188	74,386

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Except for the loans amounting to HK$27,028,000 (2007: HK$15,483,000), which are interest-bearing at a rate of 6.84% per annum, the remaining loans to the jointly-controlled entity are interest-free. Loans to jointly-controlled entity is unsecured and have no fixed terms of repayment.

Notes to Financial Statements

31 December 2008

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Particulars of the principal jointly-controlled entities, all of which are held indirectly through subsidiaries, are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Ever Reliance Industrial Investments Limited ("Ever Reliance")	Ordinary shares of HK$1 each	Hong Kong	48	50	48	Investment holding
Foshan Rifeng Electronic Co., Ltd.	Registered capital of US$1,000,000	People's Republic of China/ Mainland China	33	33	33	Property investment
Nan Tong Xin Cheng Electronics Co., Ltd.	Registered capital of HK$6,080,000	People's Republic of China/ Mainland China	49	33	49	Manufacture and sale of electronic components

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group	
	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**110,522**	80,180
Current assets	**15,283**	7,322
Non-current liabilities	**(28,147)**	(19,861)
Current liabilities	**(54,942)**	(41,411)
Net assets	**42,716**	26,230
Share of the jointly-controlled entities' results:		
Total income	**46,542**	33,798
Total expenses	**(36,060)**	(15,449)
Profit for the year	**10,482**	18,349

21. INVESTMENT IN AN ASSOCIATE

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	**35,851**	—

Notes to Financial Statements

31 December 2008

21. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Particulars of the associate, which is held indirectly through a subsidiary, are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Luminous Town Electric Co., Ltd.	Ordinary shares of TWD155,981,060	Republic of China	24.32%	Trading of electronic products

The following table illustrates the summarised financial information of the Group's associate:

	2008 HK$'000
Assets	290,716
Liabilities	(143,302)
Revenues	290,065
Profit for the year	1,978

22. INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Raw materials	141,282	138,226
Work in progress	29,418	30,396
Finished goods	135,198	96,175
	305,898	264,797

23. TRADE RECEIVABLES

	Group	
	2008 HK$'000	2007 HK$'000
Trade receivables	294,043	312,498
Impairment	(15,487)	(8,690)
	278,556	303,808

23. TRADE RECEIVABLES (CONTINUED)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 150 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions for doubtful debts, is as follows:

	Group			
	2008		2007	
	HK$'000	**%**	HK$'000	%
Current and within payment term	**210,447**	**75**	260,560	86
1–3 months past due	**57,029**	**20**	30,864	10
4–6 months past due	**1,610**	**1**	2,626	1
7–12 months past due	**8,840**	**3**	7,382	2
Over 1 year past due	**630**	**1**	2,376	1
	278,556	**100**	303,808	100

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**8,690**	9,239
Impairment losses recognised	**10,617**	4
Amount written off as uncollectible	**(2,720)**	—
Impairment losses reversed	**(1,363)**	(554)
Exchange realignment	**263**	1
At 31 December	**15,487**	8,690

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$25,357,000 (2007: HK$8,695,000) with a carrying amount of HK$9,870,000 (2007: HK$5,000). The individually impaired trade receivables relate to customers that were in financial difficulties, in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

23. TRADE RECEIVABLES (CONTINUED)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Current and within payment term	**203,545**	260,560
1–3 months past due	**54,061**	30,864
4–6 months past due	**1,610**	2,626
7–12 months past due	**8,840**	7,377
Over 1 year past due	**630**	2,376
	268,686	303,803

Receivables that were current and within payment terms relate to a large number of diversified customers for whom there was no recent history of default.

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

Included in the Group's trade receivables are an amount due from the Group's jointly-controlled entity of HK$15,411,000 (2007: Nil) and due from the Group's associate of HK$17,808,000 (2007: Nil), which are repayable on similar credit terms to those offered to the major customers of the Group.

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Non-Hong Kong listed equity investments, at fair value	**2,570**	8,476

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

There has been a significant decline in the market value of the listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired to the extent of HK$5,489,000 (2007: Nil). An amount of HK$4,218,000 (2007: Nil) has been transferred from the available-for-sale investment revaluation reserve and the remaining amount of HK$1,271,000 (2007: Nil) has been directly recognised in the income statement for the year.

Notes to Financial Statements

31 December 2008

25. SHORT TERM INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**38**	119

The above equity investments at 31 December 2008 and 2007 were classified as held for trading.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward current contracts	**1,984**	**1,308**	3,743	2,001
Interest rate swaps	**—**	**—**	1,402	—
	1,984	**1,308**	5,145	2,001

	Company	
	2008	2007
	HK$'000	HK$'000
Interest rate swaps — Assets	**—**	1,402

The carrying amounts of forward currency contracts and interest rate swaps approximate to their fair values. The above transactions involving derivative financial instruments are with Standard Chartered Bank of A3 credit ratings as ranked by Moody's Investors Service.

Forward currency contracts — cash flow hedges

At 31 December 2008, the Group held one forward currency contract designated as hedges in respect of expected future purchases from suppliers and for operating use in Mainland China. The Group held another forward currency contract outstanding as at 31 December 2008 designated as hedges of expected future sales to customers in Mainland China.

The changes in the fair value of forward currency contracts which did not meet the criteria for hedge accounting for accounting purpose amounting to HK$1,066,000 were debited to the income statement during the year (2007: HK$1,742,000 credited to the income statement).

Notes to Financial Statements

31 December 2008

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedge

At 31 December 2008, the Group had not entered into interest rate swaps agreement.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash and bank balances	**216,633**	92,007	**5,123**	8,874
Time deposits	**189,833**	298,676	**—**	—
	406,466	390,683	**5,123**	8,874

Cash at banks earns interest at floating bank deposit rates. Short term time deposits range from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

As at the balance sheet date, the amount of cash and bank balances which denominated in Renminbi ("RMB") was HK$35,397,000 (2007: HK$26,004,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to Financial Statements

31 December 2008

28. TRADE PAYABLES

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

	Group			
	2008		2007	
	HK$'000	**%**	HK$'000	%
Accounts payable:				
Less than 3 months	**47,681**	**31**	134,265	77
4–6 months	**91,466**	**60**	37,772	22
7–12 months	**8,612**	**6**	1,199	1
Over 1 year	**4,161**	**3**	650	—
	151,920	**100**	173,886	100
Bills payable	**31,067**		69,905	
	182,987		243,791	

Included in trade payables is HK$11,200,000 (2007: Nil) due to a jointly-controlled entity which is repayable within three months, which represents similar credit terms to those offered by the jointly-controlled entity to their major customers.

29. BANK LOANS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans, unsecured, repayable:				
Within one year or on demand	**474,976**	194,487	**154,743**	58,686
In the second year	**163,143**	216,671	**155,143**	126,171
In the third to fifth years, inclusive	**137,143**	243,143	**137,143**	235,143
	775,262	654,301	**447,029**	420,000
Portion classified as current liabilities	**(474,976)**	(194,487)	**(154,743)**	(58,686)
Non-current portion	**300,286**	459,814	**292,286**	361,314

Notes to Financial Statements

31 December 2008

29. BANK LOANS (CONTINUED)

Unsecured bank loans of HK$65,919,000 denominated in United States dollars carry a weighted average interest rate of 2.51%. Unsecured bank loans of HK$100,490,000 denominated in Japanese yen carry a weighted average interest rate of 2.41%. Save as disclosed above, all the bank loans of the Group and the Company are denominated in Hong Kong dollars at a weighted average interest rate of 2.00% per annum. All bank loans bear floating interest rates and are repayable by instalment up to 2011. The carrying amounts of the Group's and the Company's bank loans approximate to their fair values.

30. FINANCE LEASE PAYABLES

The Group leases one of its motor vehicles. The lease is classified as finance lease and has a remaining lease term of one year.

As at the balance sheet date, the total future minimum lease payments under a finance lease and its present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amounts payable:				
Within one year	**21**	263	**21**	254
In the second year	**–**	21	**–**	21
Total minimum finance lease payments	**21**	284	**21**	275
Future finance charges	**–**	(9)		
Total net finance lease payables	**21**	275		
Portion classified as current liabilities	**(21)**	(254)		
Non-current portion	**–**	21		

Finance lease payable is denominated in Hong Kong dollars and bears interest at an interest rate of 2.65% per annum. It is repayable by instalment up to 2009.

Notes to Financial Statements

31 December 2008

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year were as follows:

Deferred tax assets

Group

	Provisions for trade receivables and inventories HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 January 2007	1,881	–	31	1,912
Deferred tax (charged)/credited to the income statement during the year (note 11)	(626)	6,124	240	5,738
Gross deferred tax assets at 31 December 2007 and 1 January 2008	1,255	6,124	271	7,650
Deferred tax (charged)/credited to the income statement during the year (note 11)	(935)	(2,752)	609	(3,078)
Exchange realignment	54	–	8	62
Gross deferred tax assets at 31 December 2008	374	3,372	888	4,634

31. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2007	1,905	997	—	2,902
Deferred tax charged/(credited) to the income statement during the year (note 11)	4,483	(500)	—	3,983
Deferred tax debited to equity during the year	179	—	—	179
Gross deferred tax liabilities at 31 December 2007 and 1 January 2008	6,567	497	—	7,064
Deferred tax (credited)/charged to the income statement during the year (note 11)	(3,477)	(431)	2,799	(1,109)
Deferred tax debited to equity during the year	84	—	—	84
Exchange realignment	9	—	24	33
Gross deferred tax liabilities at 31 December 2008	3,183	66	2,823	6,072

Notes to Financial Statements

31 December 2008

31. DEFERRED TAX (CONTINUED)

For the purpose of the balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	Group	
	2008 **HK$'000**	2007 HK$'000
Net deferred tax assets recognised in the consolidated balance sheet	**4,634**	3,167
Net deferred tax liabilities recognised in the consolidated balance sheet	**(6,072)**	(2,581)
	(1,438)	586

The Group had tax losses arising in Hong Kong of HK$17,413,000 (2007: HK$25,423,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$9,744,000 (2007: Nil) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate ranges from 5 to 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries onwards established in the PRC in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to Financial Statements

31 December 2008

32. DEFERRED INCOME

The deferred income amounting to HK$13,137,000 (2007: HK$12,634,000) and HK$48,300,000 (2007: HK$47,385,000) of non-cash subsidies in relation to parcels of land located in Wuxi and Nanjing were granted by the Jiangsu Province Xishan Economic Development Management Committee and Nanjing New and Technology Industry Development Company in 2004 and 2007, respectively. The subsidies were in the form of a reduction of the consideration for the acquisition of a parcel of land in Wuxi and Nanjing, the PRC, paid by the Group.

The deferred income amount represented the fair value of the land at the date of acquisition less the total consideration paid by the Group. The purpose of the subsidies is for industrial development in these areas.

33. SHARE CAPITAL

Ordinary shares

	2008 HK$'000	2007 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
478,088,901 (2007: 477,635,168) ordinary shares of HK$0.10 each	**47,809**	47,764

A summary of the transactions involving the Company's share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2007		447,231,302	44,723	104,854	149,577
Share options exercised		4,000,000	400	8,395	8,795
Warrants exercised		2,773,866	278	5,963	6,241
Placement of shares		23,630,000	2,363	45,606	47,969
Share issue expenses		—	—	(1,402)	(1,402)
At 31 December 2007 and 1 January 2008		477,635,168	47,764	163,416	211,180
Share options exercised	(a)	450,000	45	1,329	1,374
Warrants exercised	(b)	3,733	—	8	8
At 31 December 2008		478,088,901	47,809	164,753	212,562

Notes to Financial Statements

31 December 2008

33. SHARE CAPITAL (CONTINUED)

Ordinary shares (continued)

Notes:

(a) Share options

The subscription rights attaching to 450,000 share options were exercised at the subscription price of HK$1.60 per share, resulting in the issuance of 450,000 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of HK$720,000.

Details of the Company's share option scheme and the share options issued under the Share Option Scheme are included in note 34 to the financial statements.

(b) Warrants

On 18 April 2007, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 23 May 2007. The bonus warrant issue was made in the proportion of one warrant for every ten ordinary shares of the Company, resulting in 47,421,130 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$2.25 per share, subject to amendment, from 6 June 2007 to 5 June 2009 (both days inclusive). The warrants were issued to the shareholders of the Company on 6 June 2007.

During the year, 3,733 warrants were exercised for 3,733 shares of HK$0.10 each at a price of HK$2.25 per share with a total cash consideration, before expenses, of HK$8,000. At the balance sheet date, the Company had 44,643,531 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, resulted in the issuance of 44,643,531 ordinary additional shares at a subscription price of HK$2.25 per share.

34. SHARE OPTION SCHEME

On 26 May 2006, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible persons, including employees, directors and other persons as specified under the scheme document, who contribute to the success of the Group's operations.

The Share Option Scheme became effective on 26 May 2006 and will remain in force for 10 years from that date.

The maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of issued shares from time to time provided that the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of issued shares on 26 May 2006.

Notes to Financial Statements

31 December 2008

34. SHARE OPTION SCHEME (CONTINUED)

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Share Option Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval of the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value in excess of HK$5 million, is subject to prior approval from shareholders in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer, and (iii) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share options, which must be a trading day.

The fair value of the share options granted in 2006 was HK$8,136,000 of which the Group recognised a share option expense of HK$1,962,000 in the consolidated income statement during the year ended 31 December 2007.

The following share options were outstanding under the Share Option Scheme during the year:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.6**	**3,050**	1.6	5,600
Exercised during the year	**1.6**	**(450)**	1.6	(2,400)
Forfeited during the year	**—**	**(50)**	1.6	(150)
At 31 December	**1.6**	**2,550**	1.6	3,050

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.7433 (2007: HK$2.4892).

Notes to Financial Statements

31 December 2008

34. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

Exercise period*	Exercise price**	Number of options	
		2008	2007
	HK$ per share	**'000**	'000
8-8-2006 to 25-5-2016	**1.6**	**1,350**	1,350
8-8-2007 to 25-5-2016	**1.6**	**1,200**	1,700
		2,550	3,050

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2008, the Company had 2,550,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 2,550,000 additional ordinary shares of the Company and additional share capital of HK$255,000 and share premium of HK$3,825,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 2,550,000 share options outstanding under the Share Option Scheme, which represented approximately 0.53% of the Company's shares in issue as at that date.

Notes to Financial Statements

31 December 2008

35. RESERVES

Group

	Attributable to equity holders of the Company										
	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus* HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds# HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	163,416	4,438	2,800	7,054	4,218	109,122	34,810	440,754	766,612	–	766,612
Changes in fair value of available-for-sale investments	–	–	–	–	(4,218)	–	–	–	(4,218)	–	(4,218)
Share of reserves of a jointly-controlled entity	–	–	–	1,584	–	–	–	–	1,584	–	1,584
Asset revaluation surplus, net	–	–	–	84	–	–	–	–	84	–	84
Deferred tax debited to equity	–	–	–	(84)	–	–	–	–	(84)	–	(84)
Exchange realignment	–	–	–	–	–	65,803	–	–	65,803	–	65,803
Total income and expense recognised directly in equity	–	–	–	1,584	(4,218)	65,803	–	–	63,169	–	63,169
Profit for the year	–	–	–	–	–	–	–	90,197	90,197	–	90,197
Total income and expense for the year		–	–	1,584	(4,218)	65,803	–	90,197	153,366	–	153,366
Contribution from minority shareholders		–	–	–	–	–	–	–	–	6,123	6,123
Share options exercised	1,329	(654)	–	–	–	–	–	–	675	–	675
Share options forfeited	–	(72)	–	–	–	–	–	72	–	–	–
Warrants exercised	8	–	–	–	–	–	–	–	8	–	8
Transferred from retained profits	–	–	–	–	–	–	7,259	(7,259)	–	–	–
Interim 2008 dividend	–	–	–	–	–	–	–	(14,343)	(14,343)	–	(14,343)
Proposed final dividend	–	–	–	–	–	–	–	(2,390)	(2,390)	–	(2,390)
At 31 December 2008	164,753	3,712	2,800	8,638	–	174,925	42,069	507,031	903,928	6,123	910,051

Notes to Financial Statements

31 December 2008

35. RESERVES (CONTINUED)

Group

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus* HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Hedging reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	104,854	6,174	2,800	6,542	7,094	(785)	37,903	22,304	358,154	545,040
Changes in fair value of available-for-sale investments	–	–	–	–	1,482	–	–	–	–	1,482
Disposal of available-for-sale investments	–	–	–	–	(4,358)	–	–	–	–	(4,358)
Net gain on cash flow hedges	–	–	–	–	–	785	–	–	–	785
Asset revaluation surplus, net	–	–	–	691	–	–	–	–	–	691
Deferred tax debited to equity	–	–	–	(179)	–	–	–	–	–	(179)
Exchange realignment	–	–	–	–	–	–	71,219	–	–	71,219
Total income and expense recognised directly in equity	–	–	–	512	(2,876)	785	71,219	–	–	69,640
Profit for the year	–	–	–	–	–	–	–	–	135,765	135,765
Total income and expense for the year	–	–	–	512	(2,876)	785	71,219	–	135,765	205,405
Share options exercised	8,395	(3,698)	–	–	–	–	–	–	–	4,697
Warrants exercised	5,963	–	–	–	–	–	–	–	–	5,963
Placement of shares	45,606	–	–	–	–	–	–	–	–	45,606
Share issue expenses	(1,402)	–	–	–	–	–	–	–	–	(1,402)
Costs in the granting of share options	–	1,962	–	–	–	–	–	–	–	1,962
Transferred from retained profits	–	–	–	–	–	–	–	12,506	(12,506)	–
Additional 2006 final dividend upon exercise of share options	–	–	–	–	–	–	–	–	(58)	(58)
Interim 2007 dividend	–	–	–	–	–	–	–	–	(14,306)	(14,306)
Proposed final dividend	–	–	–	–	–	–	–	–	(26,295)	(26,295)
At 31 December 2007	163,416	4,438	2,800	7,054	4,218	–	109,122	34,810	440,754	766,612

* The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore.

\# Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to the PRC reserve funds which are restricted as to use.

Notes to Financial Statements

31 December 2008

35. RESERVES (CONTINUED)

Company

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	104,854	6,174	63,623	14,390	189,041
Share options exercised	8,395	(3,698)	—	—	4,697
Warrants exercised	5,963	—	—	—	5,963
Placement of shares	45,606	—	—	—	45,606
Share issue expenses	(1,402)	—	—	—	(1,402)
Profit for the year	—	—	—	41,421	41,421
Costs in the granting of share options	—	1,962	—	—	1,962
Additional 2006 final dividend upon exercise of share options	—	—	—	(58)	(58)
Interim 2007 dividend	—	—	—	(14,306)	(14,306)
Proposed final dividend	—	—	—	(26,295)	(26,295)
At 31 December 2007 and 1 January 2008	163,416	4,438	63,623	15,152	246,629
Share options exercised	1,329	(654)	—	—	675
Share options forfeited	—	(72)	—	72	—
Warrants exercised	8	—	—	—	8
Profit for the year	—	—	—	19,295	19,295
Interim 2008 dividend	—	—	—	(14,343)	(14,343)
Proposed final dividend	—	—	—	(2,390)	(2,390)
At 31 December 2008	164,753	3,712	63,623	17,786	249,874

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Notes to Financial Statements

31 December 2008

36. BUSINESS COMBINATION

In October 2008, the Group acquired certain assets and liabilities from a third party which engages in the manufacture and trading of electronic components in Mainland China. The purchase consideration for the acquisition was RMB28,000,000 (approximately HK$31,750,000) and was settled in cash.

The fair values of the assets acquired and liabilities and contingent liabilities assumed could only be determined on a provisional basis pending completion of the fair value appraisal process. The carrying amounts of the assets and liabilities immediately before the acquisition were as follows:

	Note	**Carrying amount** HK$'000
Property, plant and equipment	15	32,928
Inventories		18,806
Trade receivables		16,653
Prepayments, deposits and other receivables		689
Cash and bank balances		4,358
Trade payables		(35,300)
Other payables and accrued liabilities		(6,384)
		31,750
Accounted for and satisfied by cash		31,750

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	HK$'000
Cash consideration	31,750
Less: Prepaid in the prior year	(8,543)
	23,207
Cash and bank balances acquired	(4,358)
	18,849

Since its acquisition, no turnover nor profit were contributed to the Group for the year ended 31 December 2008.

37. CORPORATE GUARANTEES

The Company provides guarantees to the extent of HK$1,140,499,000 (2007: HK$1,040,792,000) in respect of banking facilities granted to its subsidiaries, and approximately HK$339,111,000 (2007: HK$304,129,000) of which was utilised at the balance sheet date.

Notes to Financial Statements

31 December 2008

38. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, factory premises, and warehouses under operating lease arrangements. Leases for office properties, factory premises, and warehouses are negotiated for terms ranging from one to twenty years.

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

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	**16,834**	26,011
In the second to fifth years, inclusive	**11,744**	12,586
After five years	**8,339**	10,709
	36,917	49,306

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008 HK$'000	2007 HK$'000 (Restated)
Contracted, but not provided for:		
Plant and machinery	**32,026**	23,454
Buildings	**1,599**	4,146
Land	**1,156**	1,048
Leasehold improvements	**517**	—
	35,298	28,648
Contracted, but not provided for:		
Unpaid capital contributions to subsidiaries	**5,670**	156,275

In 2007, the Group had a capital commitment which is contracted but not provided for amounting to HK$7,476,000 in respect of the acquisition of certain assets and liabilities from a third party.

Notes to Financial Statements

31 December 2008

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with its jointly-controlled entities and associate:

	Notes	**2008 HK$'000**	2007 HK$'000
Jointly-controlled entities:			
Purchases of raw materials	(i)	**32,344**	11,579
Sales of finished goods	(i)	**16,914**	—
Rental expenses	(ii)	**24,285**	11,110
Associate:			
Sales of finished goods	(i)	**31,539**	—

Notes:

(i) The above purchases and sales of raw materials and sales of finished goods were carried out according to terms similar to those offered by other customers and suppliers, except that a longer credit period was granted.

(ii) The rental was charged out at rates with mark-to-market yield.

(b) Remuneration for key management personnel (excluding directors' remuneration, details of whose remuneration are set out in notes 9 and 10 of the financial statements) of the Group:

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**2,615**	1,869
Pension scheme contributions	**24**	18
Costs in the granting of share options	**—**	213
Total remuneration for key management personnel	**2,639**	2,100

41. FINANCIAL INSTRUMENTS BY CATEGORY

Other than available-for-sale investments and short term investments as disclosed in notes 24 and 25 of the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2007 and 2008 are loans and receivables, and financial liabilities stated at amortised cost, respectively.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, balances with jointly-controlled entities, and trade and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Foreign currency risk

The Group's reporting currency is Hong Kong dollars and it conducts some of its business transactions in other transactional currencies such as United States dollars, Japanese yen and Renminbi. Some of its sales proceeds received were in United States dollars and Renminbi and certain of the purchases and expenses are conducted in Japanese yen, Renminbi and United States dollars. As United States dollars are closely pegged with Hong Kong dollars throughout the year under review, so the currency exposure in this respect is considered not significant. About 26% (2007: 24%) of the Group's expenditures are denominated in Renminbi. However, impacts of Renminbi appreciation are alleviated by sales proceeds as about 14% (2007: 19%) of the Group's sales receipts are denominated in Renminbi. On the other hand, about 17% (2007: 22%) of the Group's purchases are denominated in Japanese yen.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Japanese yen and Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

Notes to Financial Statements

31 December 2008

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in Japanese yen rate %	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000
2008			
If Hong Kong dollar weakens against Japanese yen	**5**	**(5,154)**	**(5,154)**
If Hong Kong dollar strengthens against Japanese yen	**(5)**	**5,154**	**5,154**
2007			
If Hong Kong dollar weakens against Japanese yen	5	(3,580)	(2,646)
If Hong Kong dollar strengthens against Japanese yen	(5)	3,580	2,646

	Increase in RMB rate %	Increase in profit before tax HK$'000	Increase in equity HK$'000
2008			
If Hong Kong dollar weakens against RMB	**3**	**16,685**	**16,685**
If Hong Kong dollar weakens against RMB	**5**	**27,808**	**27,808**
2007			
If Hong Kong dollar weakens against RMB	3	13,426	13,426
If Hong Kong dollar weakens against RMB	5	22,376	22,376

Notes to Financial Statements

31 December 2008

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000
2008					
Hong Kong dollar	**100**	**(6,089)**	**(6,089)**	**(4,470)**	**(4,470)**
Japanese yen	**100**	**(1,005)**	**(1,005)**	**—**	**—**
US dollar	**100**	**(659)**	**(659)**	**—**	**—**
Hong Kong dollar	**(100)**	**6,089**	**6,089**	**4,470**	**4,470**
Japanese yen	**(100)**	**1,005**	**1,005**	**—**	**—**
US dollar	**(100)**	**659**	**659**	**—**	**—**

	Group			Company	
	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000
2007					
Hong Kong dollar	100	(4,093)	(4,093)	(2,200)	(2,200)
Japanese yen	100	(450)	(450)	—	—
Hong Kong dollar	(100)	4,599	4,599	2,706	2,706
Japanese yen	(100)	450	450	—	—

Notes to Financial Statements

31 December 2008

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

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

	2008		
Group	**Within 1 year or on demand HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**182,987**	**—**	**182,987**
Other payables and accrued liabilities	**78,879**	**—**	**78,879**
Derivative financial instruments	**1,308**	**—**	**1,308**
Bank loans	**474,976**	**300,286**	**775,262**
Finance lease payables	**21**	**—**	**21**
Dividend payable	**5,078**	**—**	**5,078**
	743,249	**300,286**	**1,043,535**

	2007		
Group	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	243,791	—	243,791
Other payables and accrued liabilities	70,902	—	70,902
Derivative financial instruments	2,001	—	2,001
Bank loans	194,487	459,814	654,301
Finance lease payables	254	21	275
Dividend payable	16	—	16
	511,451	459,835	971,286

Notes to Financial Statements

31 December 2008

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	2008		
Company	**Within 1 year or on demand HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Due to subsidiaries	**59,870**	**—**	**59,870**
Other payables and accrued liabilities	**16,258**	**—**	**16,258**
Bank loans	**154,743**	**292,286**	**447,029**
Dividend payable	**5,078**	**—**	**5,078**
	235,949	**292,286**	**528,235**

	2007		
Company	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to subsidiaries	14,224	—	14,224
Other payables and accrued liabilities	12,744	—	12,744
Bank loans	58,686	361,314	420,000
Dividend payable	16	—	16
	85,670	361,314	446,984

Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfil its obligation thereby incurring financial loss to the Group. The Group manages the credit risk by setting up a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group has entered into credit insurance contracts with the Hong Kong Export Credit Insurance Corporation and other financial institutions to mitigate the credit risk arising from the receivable balances.

In addition, it is the Group's policy to review regularly the recoverable amount of trade receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

Notes to Financial Statements

31 December 2008

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group prices its products and services commensurately with the level of risk and secures access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a balance between high shareholder returns that might be possible with high levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to capital ratio. For this purpose, the Group defines net debt as interest-bearing debt (which includes bank loans, and obligations under finance leases), less cash and cash equivalents.

During 2008, the Group's strategy, which remained unchanged from 2007, was to maintain the net debt to equity ratio at the lower end of the range of 30% to 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	Group	
	2008 HK$'000	2007 HK$'000
Bank loans	**775,262**	654,301
Finance lease payables	**21**	275
Less: Cash and cash equivalents	**(406,466)**	(390,683)
Net debt	**368,817**	263,893
Equity attributable to equity holders of the Company	**954,127**	840,671
Net debt to equity ratio	**38.7%**	31.4%

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

43. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 13 February 2009, the Group disposed of the remaining investment properties for a total cash consideration of HK$30,000,000. Of the total consideration, HK$3,000,000 has been received by the Group and the remaining balance of HK$27,000,000 will be received upon completion which is scheduled to take place in May 2009.

44. COMPARATIVE AMOUNTS

Certain comparative amounts have been adjusted to conform with the current year's presentation.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2009.

Five Year Financial Summary

31 December 2008

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements of the Group is set out below.

RESULTS

	Year ended 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Revenue	**1,285,979**	1,380,334	1,239,119	1,104,134	870,910
Profit before tax	**107,123**	142,933	135,523	106,730	69,827
Tax	**(16,926)**	(7,168)	(13,866)	(11,034)	(7,771)
Profit for the year	**90,197**	135,765	121,657	95,696	62,056
Attributable to:					
Equity holders of the Company	**90,197**	135,765	121,657	95,696	61,867
Minority interests	**—**	—	—	—	189
	90,197	135,765	121,657	95,696	62,056

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2008 HK$'000	2007 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000	2004 HK$'000
TOTAL ASSETS	**2,077,490**	1,880,439	1,236,164	1,026,152	755,940
TOTAL LIABILITIES	**(1,117,240)**	(1,039,768)	(629,861)	(581,711)	(430,831)
TOTAL EQUITY	**960,250**	840,671	606,303	444,441	325,109
MINORITY INTERESTS	**(6,123)**	—	—	—	—
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**954,127**	840,671	606,303	444,441	325,109

MAN YUE INTERNATIONAL HOLDINGS LIMITED
萬 裕 國 際 集 團 有 限 公 司
16th Floor, Yiko Industrial Building,
10 Ka Yip Street, Chai Wan, Hong Kong
香港柴灣嘉業街10號益高工業大廈16樓

This report is printed on environmentally friendly paper
本年報以環保紙印製