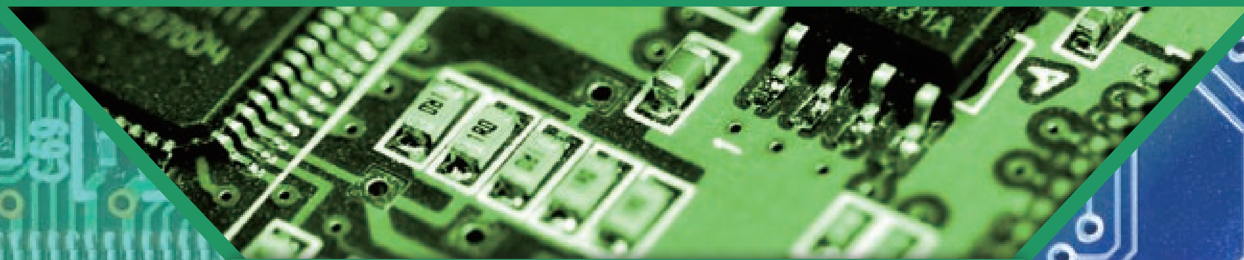
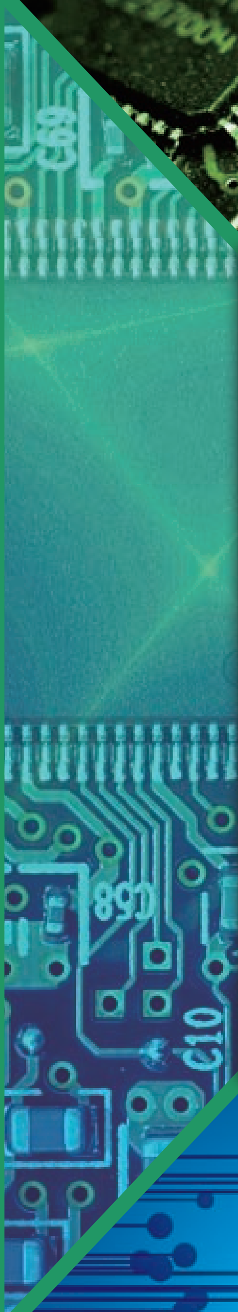




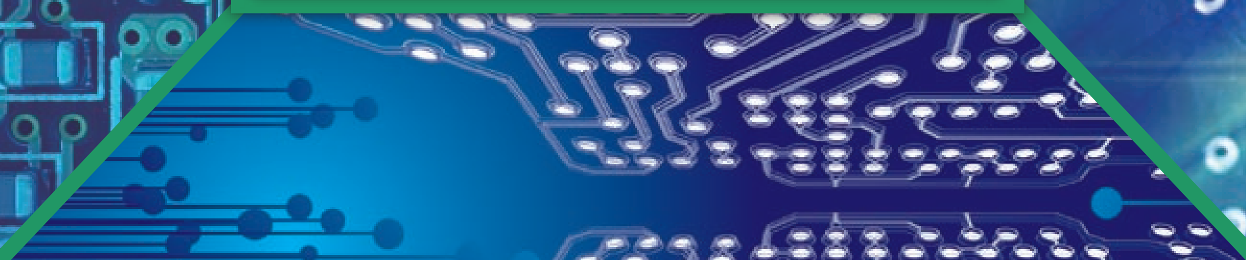
TC INTERCONNECT HOLDINGS LIMITED

達進精電控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 515

Annual Report 2008



Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Wong Wing Choi *(Chief Executive Officer, resigned on 23 January 2009)*
Mr. Pak Shek Kuen

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi
Mr. Cheung Kwok Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

REMUNERATION COMMITTEE

Mr. Yeung Hoi Shan
Mr. Cheung Kwok Ping
Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Pak Shek Kuen, *CPA FCCA*

AUTHORISED REPRESENTATIVES

Mr. Yeung Hoi Shan
Mr. Pak Shek Kuen, *CPA FCCA*

HEAD OFFICE

31/F, Aitken Vanson Centre
61 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

China Construction Bank Corporation, Zhongshan Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Citic Ka Wah Bank Limited
Dah Sing Bank, Ltd

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

515

WEB-SITE

www.tatchun.com

Dear Shareholders,

On behalf of the board of directors (the "Board") of TC Interconnect Holdings Limited ("TC Interconnect" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the group's result for the year ended 31 December 2008.

2008 was a challenging year for the Group. The market demand for PCBs has declined in an unprecedented scale in the fourth quarter of the year after a rapid downturn in world economy. The Group, however, also experienced a longer-than-expected learning period and stabilization process to build up the operational efficiency of the new factory ("Plant 2"), mainly in the production of multi-layered PCBs up to 12 layers, since it commenced operations in late 2007. The gross profit margin has dropped due to low utilisation rate of the factories. During the year under review, the revenue of the Company grew by 13.2% to approximately HK$838.9 million versus approximately HK$741.0 million in 2007. The net profit attributable to equity shareholders were approximately HK$27.7 million, representing a decrease of 53.8% from the previous year.

Indeed, the management has rapidly executed many control measures to echo the dynamic changing market environment. One of the key measures is to combine the operations of the two factories located in Zhongshan under the same management so as to increase operational efficiencies. In response to the forecast market demand, the management also decided to tighten up the capital investment for the expansion of production capacity of Plant 2 but only limited to the procurement of equipment and machineries to enhance technology upgrades and efficiencies of the current production capacities of the Group.

Looking forward, the Group will continue to adopt cautious approach to maintain our business momentum, to consolidate the business relationship with existing customers and to speed up the development of new overseas markets and the PRC market. Our strategic partnership with NEC Toppan Circuit Solutions, Inc. ("TNCSi"), a jointed venture company established by NEC Corporation and Toppan Printing Company Limited, has developed in a healthy pace and we anticipate they will have fruitful contribution to our revenues this year onward.

On behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years.

Sincerely yours,

Yeung Hoi Shan
Chairman

The Company is committed to adopting the standards of corporate governance. The Board believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2008, except the deviation disclosed in the following paragraph:

With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr. Wong Wing Choi, an executive director and CEO of the Company, has resigned on 23 January 2009. Since then, the Company is looking for appropriate person to succeed and up to the date of this report, the process is still in progress.

DIRECTORS

The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises eight members, consisting of two executive directors, three non-executive directors and three independent non-executive directors. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 14 to 16 of the Annual Report.

The Board has met the recommended best practice under the Code for the number of independent non-executive directors. One independent non-executive director possesses recognized professional qualifications in accounting. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

DIRECTORS *(continued)*

The Board *(continued)*

The Company has held 4 board meetings during the year ended 31 December 2008 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan (Chairman)	3/4
Wong Wing Choi (Chief Executive Officer, resigned on 23 January 2009)	3/4
Pak Shek Kuen	4/4
Non-executive directors	
Li Jin Xia	3/4
Yeung Tai Hoi	3/4
Cheung Kwok Ping (appointed 2 January 2007)	3/4
Independent non-executive directors	
Cheung Sui Wing, Darius	4/4
Ho Man Kay	4/4
Wong Siu Fai, Albert	4/4

Appointment, re-election and removal

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction. They are also members of Audit Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

DIRECTORS *(continued)*

Insurance

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

The Company has also arranged appropriate key man insurance, with coverage being reviewed annually, to cover for potential financial loses that would arise from the death or extended incapacity of the member of the Company specified on the policy. At the moment, key man insurance has been arranged for Mr. Yeung Hoi Shan, Chairman of the Company.

Supply of and access to information

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of five directors including Mr. Cheung Sui Wing Darius, Ms. Ho Man Kay and Mr. Wong Siu Fai Albert, all of them are independent non-executive directors, Mr. Cheung Kwok Ping, a non-executive director, and Mr. Yeung Hoi Shan, an executive director. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms of reference are available on the Company's website: www.tatchun.com.

During the year ended 31 December 2008, the Remuneration Committee held 2 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Yeung Hoi Shan	2/2
Cheung Kwok Ping	2/2
Cheung Sui Wing, Darius	2/2
Ho Man Kay	2/2
Wong Siu Fai, Albert	2/2

REMUNERATION COMMITTEE *(continued)*

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 10 to the financial statements. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

ACCOUNTABILITY AND AUDIT

Financial reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately four months and three months respectively after the end of the relevant periods.

Internal controls

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year ended 31 December 2008, the Board has appointed a special task force internally to review the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee

The Audit Committee comprises the three independent non-executive directors, one of whom possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: www.tatchun.com.

Three Audit Committee meetings were held in 2008 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Cheung Sui Wing, Darius	3/3
Ho Man Kay	3/3
Wong Siu Fai, Albert	3/3

The Company's annual results for the year ended 31 December 2008 has been reviewed by the Audit Committee.

Apart from the Audit Committee meetings, the three independent non-executive directors have met with the auditors, in the absence of management, to discuss matters relating to the Company's audit fees and other issues arising from the audit for the year ended 31 December 2008. No special attentions have been made to the management of the Company with respect to this meeting.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2008, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	1,458,000
Non-audit services	
– Taxation services	615,005
– Interim review	190,800
– Others	89,736

DELEGATION BY THE BOARD

Management functions

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee and Remuneration Committee will attend the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming 2007 annual general meeting on each substantially separate issue, including the re-election of the retiring directors.

Voting by poll

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of board range of PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

	Year 2008		Year 2007		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Single-sided	**199,836**	**23.8**	173,076	23.4	26,760	15.5
Double-sided	**309,102**	**36.9**	410,488	55.4	(101,386)	(24.7)
Multi-layered	**329,932**	**39.3**	157,404	21.2	172,528	109.6
Total	**838,870**	**100**	740,968	100	97,902	13.2

In terms of product mix, thanks to the shifting the Group's effort in expanding the multi-layered PCB business, even the demand on double-sided PCBs dropped due to severe market competition, the Group could still keep up the revenue growth. Our products are mainly applied in consumer electronics, computer and computer peripherals, and communications equipment. During the year under review, application wise, consumer electronics continued to contribute the highest turnover that accounted for approximately 53.3% of the Group's turnover. The breakdown of turnover in terms of applications is summarized as follows:

	Year 2008		Year 2007		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Consumer electronics	**447,118**	**53.3**	370,762	50.1	76,356	20.6
Computers and computer peripherals	**176,163**	**21.0**	228,768	30.9	(52,605)	(23.0)
Communication equipment	**155,191**	**18.5**	82,335	11.1	72,856	88.5
Others	**60,398**	**7.2**	59,103	7.9	1,295	2.2
Total	**838,870**	**100**	740,968	100	97,902	13.2

The Group has two manufacturing plants both located at Zhongshan, Guangdong of the PRC.

Production plant	**Location**	**Area**	**Products**	**Production capacity**	**Commencement of operations**
Plant 1	Zhongshan, Guangdong, the PRC	58,000 sq. m.	1 – 8 layered PCBs	2.45 million sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong, the PRC	52,000 sq. m.	4 – 12 layered PCBs	300,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group's turnover amounted to approximately HK$838.9 million, representing an increase of 13.2% as compared to approximately HK$741.0 million for the year ended 31 December 2007. Profit attributable to shareholders was approximately HK$27.7 million (2007: HK$60.0 million).

The gross margin for the year of 2008 was 13.0% as compared to 19.5% for the year of 2007 due to lower utilization of production capacities and higher operational costs experienced to build up the operational efficiencies of Plant 2.

As disclosed in the Note 6 below, in 2008 the Group has made impairment loss recognized in respect of trade receivables of approximately HK$10.8 million on specific outstanding trade receivables (31 December 2007: HK$2.8 million). With respect to these receivables, the Group has already taken appropriate actions, including legal actions, to demand repayment and we are confident that part of which could be recovered, however, at this stage no estimate could be made. We have to emphases that the present credit policy and management remain effective, however, and the Group will enhance the policy in order to adopt a more prudent approach for the credit risk evaluation of customers.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2008, the Group had total assets of approximately HK$925.6 million (31 December 2007: HK$921.2 million) and interest-bearing borrowings of approximately HK$270.8 million (31 December 2007: HK$361.7 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 29.3% (31 December 2005: 39.3%).

The Group had net current liabilities of approximately HK$74.3 million (31 December 2007: net current assets of HK$0.4 million) consisted of current assets of approximately HK$434.2 million (31 December 2007: HK$425.0 million) and current liabilities of approximately HK$508.4 million (31 December 2007: HK$424.6 million), representing a current ratio of approximately 0.85 (31 December 2007: 1.0).

As at 31 December 2008, the Group had cash and bank balances (including restricted bank deposits) of approximately HK$78.2 million (31 December 2007: HK$70.7 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in United States dollars ("US$"), Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in US$ and RMB. The Group uses forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDER

On 4 January 2007, the Group obtained a syndicated loan facility of HK$130 million by entering into loan facilities agreements (the "Agreement") with Hang Seng Bank Limited being the co-ordinating arranger. The purpose of this syndicated loan facility is to finance the general corporate requirement of the Group including the capital expenditure requirements in relation to the production facilities in Zhongshan and the refinancing of its then existing indebtedness. Pursuant to the Agreement, the following specific performance obligations are imposed on Mr. Yeung Hoi Shan, an executive director and substantial shareholder of the Company throughout the life of the syndicated loan facility:

– Mr. Yeung Hoi Shan shall at all times remain, directly or indirectly, the single largest shareholder of the Company; or

– Mr. Yeung Hoi Shan shall at all times maintain, directly or indirectly, at least 50% of the issued share capital of the Company from any encumbrance; or

– Mr. Yeung Hoi Shan shall at all times maintain management control over the Group. A breach of the aforesaid obligations will constitute an event of default under the Agreement which may result in the cancellation of all or any part of the commitments under the Agreement and all borrowed amounts outstanding becoming immediately due and payable.

As of 31 December 2008, the outstanding of syndication loan was approximately HK$69.1 million. The Group has fully settled the outstanding balances of the syndication loan by 9 April 2009.

Dividends

The Company has not changed its dividend policy that has been followed since the listing of its shares on the Main Board of the Stock Exchange in 2006. However, in consideration of the financial performance of the Company for the year under review and the working capital requirement of the Company, the Board has resolved to recommend the payment of a final dividend of HK 1.0 cents per share, amounting to approximately HK$2.4 million (31 December 2007: HK 5.0 cents per share). The final dividends will be payable to the shareholders on or around 2 Jun 2009 whose names appear on the register of members of the Company on 26 May 2009.

Closure of Register of Members

The register of members of the Group will be closed from Friday, 22 May 2009 to Tuesday, 26 May 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2009.

HUMAN RESOURCES

As at 31 December 2008, the Group employed a total of approximately 2,676 employees (31 December 2007: 3,150), including approximately 2,650 employees in its Zhongshan production sites and approximately 26 employees in its Hong Kong office. Competitive remuneration packages were offered to employees. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals.

OUTLOOK

We believe that the year 2009 is a time for the management to reformulate its business direction and strategy. Although the global electronic industry faces significant challenges in 2009, we remain positive on our business outlook in the long run as we have built up the factory efficiency and the market may also improve in the year to come. The Group will be more cautious in expansion and will place more effort in consolidating existing customers and continually developing overseas markets and the PRC market to go for high end and high demand markets.

China's economy, the world's third largest, is expected to rebound quickly as 4 trillion yuan (USD585 billion) stimulus package cushions the effects of the global recession. According to the World Bank, a pickup in China will contribute "strongly" to growth in the rest of Asia by increasing demand for commodities and products from around the region. In line with this, the Group has reactivated a program to capture the market in order to increase the operational efficiency.

Led by a dedicated experienced management team, the Group strives to keep itself well positioned to benefit from a pickup in demands, with continuous efforts in cost reduction and enhance operational efficiencies. We anticipate there will be improvements on production yields and utilization of production capacity in this year. 2009 will be a year of turnaround and we aim to grow as a strong market player given that we have good market reputation, partners, and consolidated factories with good product mix and stabilised efficiency.

DIRECTORS

Executive Directors

Mr. Yeung Hoi Shan, aged 48, has been a director since 25 November 2004 and was appointed as the Chairman of the Company on 5 June 2006. He also acted as Chief Executive Officer of the Company with effective from 22 April 2009. Mr. Yeung is in charge of the corporate strategy, planning and development and the overall management of the Group. He has over 27 years of experience in the electronics manufacturing industry. During the period from 1981 to 1988, Mr. Yeung worked in an electronics manufacturing company in Hong Kong as the production engineer. In 1988, he started his own business of manufacturing and trading of PCBs and founded the Group in the same year. Mr. Yeung is a recipient of the Young Industrialist Awards of Hong Kong 2005. He is a son of Madam Li Jinxia and the brother of Mr. Yeung Tai Hoi.

Mr. Wong Wing Choi, aged 44, was appointed as the Managing Director of the Company and an executive Director on 5 June 2006 and was re-designated as the Chief Executive Officer of the Company and an executive director with effective from 2 January 2007, until he resigned on 23 January 2009. He joined the Company in March 2001. Mr. Wong is in charge of the overall management of the Group. He obtained a bachelor's degree in Engineering from The University of Hong Kong in 1988. He also obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science from The Chinese University of Hong Kong in 1998. Prior to joining the Company, Mr. Wong had worked for a number of multi-national companies during the period from 1995 to 2001 with exposure to different industries, and at senior management levels.

Mr. Pak Shek Kuen, aged 50, was appointed as an executive director with effective from 2 January 2007. Mr. Pak is the Chief Financial Officer, qualified accountant and company secretary of the Company and is responsible for the general financial management and accounting of the Group. He is an associate member of Hong Kong Institute of Certified Public Accountants and fellow member of The Association of Chartered Certified Accountants. He obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science for Electronic Commerce and Internet Computing from The University of Hong Kong in 2003. Prior to joining the Company in 2003, he worked for various financial institutions in Hong Kong for more than 20 years in the area of operations, risk management, treasury and internal audit.

Non-executive Directors

Madam Li Jinxia, aged 71, was appointed as a non-executive director on 5 June 2006. Madam Li formerly worked in State Tax Bureau of Zhongshan as an officer. She has been acting as an adviser to the Company in respect of PRC government policies since the incorporation of Tat Chun Printed Circuit Board Company Limited in 1988. She is the mother of Mr. Yeung Hoi Shan and Mr. Yeung Tai Hoi.

Mr. Yeung Tai Hoi, aged 51, was appointed as a non-executive director on 5 June 2006. Mr. Yeung joined Zhongshan Jinghua Printing Ink Factory Co., Ltd. in 1990 as the general manager in charge of the overall management. He is also a director of Gin Hwa Enterprise Limited. It is a private company incorporated in Hong Kong engaged in chemical ink manufacturing and trading. He has over 8 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

DIRECTORS *(continued)*

Non-executive Directors *(continued)*

Mr. Cheung Kwok Ping ("Mr. Cheung"), aged 48, was appointed as a non-executive director on 2 January 2007. Mr. Cheung is currently an executive director of Kingboard Laminates Holdings Limited, a company whose shares were listed on the main board of The Stock Exchange of Hong Kong Limited and the general manager of the paper laminate factories in Fogang and Shaoguan, the PRC. He is also an executive director of Kingboard Copper Foil Holdings Limited, a company whose shares were listed on the Singapore Exchange Securities Trading Limited. Mr. Cheung has over 20 years' experience in marketing. Mr. Cheung was also formerly an executive director of Kingboard Chemical Holdings Limited up to 7 December 2006.

Independent non-executive Directors

Mr. Cheung Sui Wing, Darius, aged 50, was appointed as an independent non-executive director on 5 June 2006. He is currently the managing director of a consumer electronics products company named Techlux International Limited in Hong Kong. Before that, he worked as a vice president and general manager for a consumer electronics manufacturer.

Ms. Ho Man Kay, aged 46, was appointed as an independent non-executive director on 5 June 2006. She is a founding partner of Angela Ho & Associates. Prior to joining her present firm, Ms. Ho was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specializing in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho was President of the Hong Kong Federation of Women Lawyers in 2002-2005. Ms. Ho is a Hong Kong delegate of the 9th All China Women Congress.

Mr. Wong Siu Fai, Albert, aged 49, was appointed as an independent non-executive director on 5 June 2006. He is currently a chief financial officer of Walcom Group Limited and has over 25 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms. Mr. Wong obtained an honour diploma in accounting in Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in 1983. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He has the appropriate professional qualifications, accounting or related financial management expertise pursuant to the Rule 3.10(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Fung Eric Gin, aged 42, was appointed as managing director of Tat Chun Printed Circuit Board Company Limited in September 2008. Mr. Fung has over 20 years of experience in the PCB and Semiconductor industry, having held numerous Engineering, Sales & Marketing, and General Management positions with IBM, Motorola, Viasystems, OPC, and Mania Technologie. Prior to joining the Group, Mr. Fung was the Vice President of China for Mania Technologie. Mr. Fung holds a Bachelor of Science degree in Electrical Engineering from the University of Illinois, a Master of Science degree in Electrical Engineering from Columbia University, and a Master of Business Administration degree from the University of Ottawa. He was an Executive Committee member of the Hong Kong Printed Circuit Association from 2001-2008.

Mr. Ng Sing Hoi, Kenneth, aged 53, was appointed as the V.P. Sales & Marketing of the Group, in charge of the overall sales and marketing activities of the Group, since September 2006, Mr. Ng obtained a bachelor's degree in Business Administration from The Chinese University of Hong Kong in 1979. Before joining the Group, he has spent over 20 years working as key management in sales & marketing for some major global PCB and Laminate manufacturers in Hong Kong and Canada.

The directors present their annual report and the audited consolidated financial statements of TC Interconnect Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2008 are set out in the consolidated income statement on page 27.

The directors now recommend the payment of a dividend of HK 1 cent per share for the year ended 31 December 2008 to the shareholders whose name appear on the register of members on 26 May 2009 amounting to approximately HK$2,400,000 and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 78 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2008, the Company's reserves available for distribution to shareholders were as follows:

	2008	2007
	HK$'000	HK$'000
Share premium	**30,609**	30,609
Contributed surplus	**145,058**	145,058
Accumulated profits	**580**	454
	176,247	176,121

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Pak Shek Kuen
Mr. Wong Wing Choi *(Chief Executive Officer)* (resigned on 23 January 2009)

Non-executive Directors

Madam Li Jinxia
Mr. Yeung Tai Hoi
Mr. Cheung Kwok Ping

Independent Non-executive Directors

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

In accordance with the provisions of the Company's Articles of Association, Mr. Pak Shek Kuen, Mr. Cheung Kwok Ping and Mr. Wong Siu Fai, Albert retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Hoi Shan entered into a service agreement with the Company for a term of three years from 5 June 2006, determinable by either party by giving three months' prior written notice.

Mr. Wong Wing Choi entered into a service agreement with the Company for a term of two years from 2 January 2007, determinable by either party by giving six months' prior written notice. Mr. Wong gave six months' prior written notice and resigned on 23 January 2009.

Mr. Pak Shek Kuen entered into a service agreement with the Company for a term of two years from 2 January 2007, determinable by either party by giving three months' prior written notice. Upon the end of the service agreement, Mr. Pak entered into another service agreement with the Company for a term of two years from 2 January 2009, determinable by either party by giving three months' prior written notice.

Each of the independent non-executive directors entered into service agreements with the Company for a term of one year and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of two months in writing before its expiration.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The directors may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted the to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

SHARE OPTION SCHEME *(continued)*

Details of the share options held by the directors are as follows:

	Balance at 1 January 2008 and 31 December 2008
Mr. Yeung Hoi Shan	2,000,000
Mr. Wong Wing Choi*	2,000,000
Mr. Pak Shek Kuen	2,000,000
Madam Li Jinxia	1,000,000
Mr. Yeung Tai Hoi	200,000
Mr. Cheung Sui Wing, Darius	200,000
Ms. Ho Man Kay	200,000
Mr. Wong Siu Fai, Albert	200,000
	7,800,000

* Mr. Wong Wing Choi resigned as an executive director on 23 January 2009.

The exercise price per share is HK$1.52.

The options were granted on 3 July 2007 and will be expired on 2 July 2011.

Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date grant.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

CONNECTED TRANSACTION

On 29 December 2008, the Company entered into an agreement with Mr. Yeung Hoi Shan, being the substantial shareholder and executive director of the Company, to advance an amount of approximately HK$22,457,000 to the Group for the purpose of financing the daily operation of the Group (the "Advance"). The amount is unsecured, interest-free and repayable on 29 June 2010.

The Advance constituted an exempted connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

DIRECTOR INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the connected transaction disclosed above, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2008, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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, were as follows:

Interest in securities

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	179,000,000	74.58
Mr. Wong Wing Choi*	Beneficial owner	1,000,000	0.42

Interests in underlying shares pursuant to share options

Name of director	Capacity	Number of share options granted
Mr. Yeung Hoi Shan	Beneficial owner	2,000,000
Mr. Wong Wing Choi*	Beneficial owner	2,000,000
Mr. Pak Shek Kuen	Beneficial owner	2,000,000
Madam Li Jinxia	Beneficial owner	1,000,000
Mr. Yeung Tai Hoi	Beneficial owner	200,000
Mr. Cheung Sui Wing, Darius	Beneficial owner	200,000
Ms. Ho Man Kay	Beneficial owner	200,000
Mr. Wong Siu Fai, Albert	Beneficial owner	200,000

* Mr. Wong Wing Choi resigned as an executive director on 23 January 2009.

The options were granted on 3 July 2007 with exercise price HK$1.52.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2008.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2008, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in securities

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Ms. Zhao Man Qi *(Note 1)*	Interest of spouse	179,000,000	74.58%
Hallgain Management Limited *(Note 2)*	Interest of controlled corporation	23,760,000	9.90%
Jamplan (BVI) Limited *(Note 2)*	Interest of controlled corporation	23,760,000	9.90%
Kingboard Chemical Holdings Limited *(Note 2)*	Interest of controlled corporation	23,760,000	9.90%
Kingboard Investments Limited *(Note 2)*	Beneficial	23,760,000	9.90%
Full Prosper Corporation *(Note 3)*	Beneficial	15,000,000	6.25%
Mr. Lam Man Chan *(Note 3)*	Interest of controlled corporation	15,000,000	6.25%

Interest in underlying shares pursuant to share options

Name	Capacity	Number of share options granted	Exercise price HK$
Ms. Zhao Man Qi *(Note 1)*	Interest of spouse	2,000,000	1.52

Notes:

1. Ms. Zhao Man Qi, being the spouse of Mr. Yeung Hoi Shan, is deemed to be interested in these shares under the SFO.

2. Kingboard Investments Limited is a wholly-owned subsidiary of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns a 30.94% interest in Kingboard Chemical Holdings Limited.

3. Full Prosper Corporation is wholly-owned by Mr. Lam Man Chan.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2008.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 11.4% to the total sales for the year. The Group's five largest customers accounted for 36.2% of the Group's total turnover for the year.

The Group's largest supplier contributed 39.8% to the total purchases for the year. The Group's five largest suppliers accounted for 65.1% of the total purchases for the year.

At 31 December 2008, Kingboard Chemical Holdings Limited, a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest suppliers. All transactions between the Group and the supplier concerned were carried out on normal commercial terms.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. Mr. Cheung Sui Wing, Darius, is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee, comprises the three independent non-executive directors and an executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

EMOLUMENT POLICY

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

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

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Yeung Hoi Shan
Chairman

Hong Kong
22 April 2009

Deloitte.
德勤

TO THE SHAREHOLDERS OF
TC INTERCONNECT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TC Interconnect Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 77, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	6	**838,870**	740,968
Cost of sales		**(729,980)**	(596,157)
Gross profit		**108,890**	144,811
Other income	6	**25,823**	28,099
Other gains and losses	6	**(1,480)**	(485)
Selling and distribution expenses		**(30,080)**	(30,205)
Administrative expenses		**(53,674)**	(54,438)
Finance costs	7	**(17,988)**	(17,183)
Profit before tax		**31,491**	70,599
Income tax expense	8	**(3,770)**	(10,565)
Profit for the year	9	**27,721**	60,034
Dividends	12	**12,000**	14,000
Basic earnings per share	13	**HK$0.12**	HK$0.25

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	14	**3,100**	3,500
Property, plant and equipment	15	**460,456**	454,898
Prepaid lease payments – non-current portion	16	**23,150**	30,822
Deposit paid for acquisition of property, plant and equipment		**4,704**	6,984
		491,410	496,204
Current assets			
Inventories	17	**90,453**	88,933
Prepaid lease payments – current portion	16	**615**	781
Trade and other receivables	18	**247,289**	244,873
Bills receivable	18	**4,768**	6,017
Amount due from a related company	19	**–**	13,680
Tax recoverable		**2,190**	–
Investment designated as at fair value through profit or loss	20	**9,349**	–
Derivative financial instruments	21	**1,301**	–
Restricted bank deposits	22	**18,373**	–
Bank balances, deposits and cash	22	**59,828**	70,663
		434,166	424,947
Current liabilities			
Trade and other payables	23	**230,261**	198,610
Bills payable	23	**39,995**	24,333
Taxation payable		**16,718**	18,716
Bank and other borrowings – due within one year	24	**177,962**	143,899
Obligations under finance leases – due within one year	25	**43,492**	39,008
		508,428	424,566
Net current (liabilities) assets		**(74,262)**	381
Total assets less current liabilities		**417,148**	496,585
Non-current liabilities			
Bank and other borrowings – due after one year	24	**8,000**	119,161
Obligations under finance leases – due after one year	25	**41,316**	59,663
Amount due to a shareholder	26	**20,627**	–
Deferred tax liabilities	27	**11,488**	9,281
		81,431	188,105
Net assets		**335,717**	308,480

	Notes	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	28	**24,000**	24,000
Reserves		**311,717**	284,480
Total equity		**335,717**	308,480

The consolidated financial statements on pages 27 to 77 were approved and authorised for issue by the Board of Directors on 22 April 2009 and are signed on its behalf by:

Yeung Hoi Shan
Director

Pak Shek Kuen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK$'000 (Note 28)	Share premium HK$'000	Revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (Note 29)	Special reserve HK$'000 (Note 29)	Share options reserve HK$'000	Capital contribution reserve HK$'000 (Note 29)	Exchange reserve HK$'000	Accumulated profits HK$'000	Total equity HK$'000
At 1 January 2007	24,000	30,609	–	2,290	1,156	–	–	79	183,722	241,856
Surplus on revaluation of properties	–	–	23,402	–	–	–	–	–	–	23,402
Deferred tax liabilities arising from revaluation of properties	–	–	(6,029)	–	–	–	–	–	–	(6,029)
Net income recognised directly in equity	–	–	17,373	–	–	–	–	–	–	17,373
Profit for the year	–	–	–	–	–	–	–	–	60,034	60,034
Total recognised income for the year	–	–	17,373	–	–	–	–	–	60,034	77,407
Dividends paid	–	–	–	–	–	–	–	–	(14,000)	(14,000)
Recognition of equity-settled share based payment	–	–	–	–	–	3,217	–	–	–	3,217
Transfer	–	–	–	1,214	–	–	–	–	(1,214)	–
Subtotal	–	–	–	1,214	–	3,217	–	–	(15,214)	(10,783)
At 31 December 2007 and 1 January 2008	24,000	30,609	17,373	3,504	1,156	3,217	–	79	228,542	308,480
Surplus on revaluation of properties	–	–	8,385	–	–	–	–	–	–	8,385
Deferred tax liabilities arising from revaluation of properties	–	–	(2,097)	–	–	–	–	–	–	(2,097)
Net income recognised directly in equity	–	–	6,288	–	–	–	–	–	–	6,288
Profit for the year	–	–	–	–	–	–	–	–	27,721	27,721
Total recognised income for the year	–	–	6,288	–	–	–	–	–	27,721	34,009
Dividends paid	–	–	–	–	–	–	–	–	(12,000)	(12,000)
Deemed capital contribution from a shareholder	–	–	–	–	–	–	1,830	–	–	1,830
Recognition of equity-settled share based payment	–	–	–	–	–	3,398	–	–	–	3,398
Release upon lapse of vested share options	–	–	–	–	–	(467)	–	–	467	–
Transfer	–	–	–	42	–	–	–	–	(42)	–
Subtotal	–	–	–	42	–	2,931	1,830	–	(11,575)	(6,772)
At 31 December 2008	24,000	30,609	23,661	3,546	1,156	6,148	1,830	79	244,688	335,717

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**31,491**	70,599
Adjustments for:		
Share options expense	**3,398**	3,217
Impairment loss recognised in respect of trade receivables	**10,793**	2,789
Allowance for inventory obsolescence	**950**	–
Release of prepaid lease payments	**740**	1,031
Depreciation of property, plant and equipment	**48,299**	30,031
Finance costs	**17,988**	17,183
Gain on disposal of property interests	**(13,428)**	(6,224)
Gain on disposal of other property, plant and equipment	**(111)**	–
Fair value changes on derivative financial instruments	**(2,504)**	–
Fair value changes on investment properties	**400**	(500)
Interest income	**(186)**	(368)
PRC tax refund on capital investment in subsidiaries	**–**	(1,620)
Operating cash flow before movements in working capital	**97,830**	116,138
Increase in inventories	**(2,470)**	(21,013)
(Increase) decrease in trade and other receivables	**(13,209)**	17,074
Decrease (increase) in bills receivable	**1,249**	(3,566)
Increase in derivative financial instruments	**1,203**	–
Increase in trade and other payables	**30,871**	398
Increase in bills payable	**15,662**	5,831
Cash generated from operations	**131,136**	114,862
Hong Kong Profits Tax (paid) refund	**(6,510)**	1,714
PRC Enterprise Income Tax paid	**(1,338)**	(6,560)
NET CASH FROM OPERATING ACTIVITIES	**123,288**	110,016
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(26,470)**	(106,748)
Increase in restricted bank deposits	**(18,373)**	–
Purchase of investment designated as at fair value through profit or loss	**(9,349)**	–
Proceeds from disposal of property interests	**22,159**	720
Interest received	**186**	368
Proceeds from disposal of other property, plant and equipment	**111**	–
Decrease in pledged bank deposits	**–**	8,767
PRC tax refund on capital investment in subsidiaries	**–**	1,620
NET CASH USED IN INVESTING ACTIVITIES	**(31,736)**	(95,273)
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(672,745)**	(399,012)
Repayment of obligations under finance leases	**(50,601)**	(30,814)
Interest paid	**(17,988)**	(17,183)
Dividends paid	**(12,000)**	(14,000)
Bank and other borrowings raised	**595,647**	481,071
Advance from a shareholder	**22,457**	–
Inception of obligations under finance leases	**19,163**	–
Repayment from a related company	**13,680**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(102,387)**	20,062
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(10,835)**	34,805
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**70,663**	35,858
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances, deposits and cash	**59,828**	70,663

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by HK$74,262,000 as at 31 December 2008. As at 31 December 2008, certain loan covenants were breached by the Group and the non-current portion of these loans amounting to HK$65,000,000 was reclassified as a current liability. The Group has agreed with the lenders of these bank loans to early settle the outstanding principal balances of these loans of HK$85,000,000 by utilising the available funds and facilities of the Group. The outstanding balances were fully settled on 14 April 2009. As at 31 December 2008, the Group has unutilised banking facilities of approximately HK$161,767,000, the majority of which are to due in the coming year. The directors believe that these banking facilities will be able to be renewed in the coming year when they expire.

The directors are of the opinion that, taking into account of the internally generated funds of the Group and the present available banking facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this report. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("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

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior financial years have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

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

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

A uniform set of accounting policies is adopted by those entities.

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

Business combination under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the previous balance sheet date or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

Investment properties

Investment properties are properties held to earn rentals and for capital appropriation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment, excluding buildings and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is provided to write off the cost or revaluated amount of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

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

Prepaid lease payments

The up-front payments to acquire leasehold land interests are accounted for as operating leases and released over the lease term on a straight line basis, except for those that are classified and accounted for as investment properties under the fair value model.

Inventories

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

Impairment losses on non-financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group include investment designated as FVTPL on initial recognition.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, amount due from a related company, restricted bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of loans and receivables *(continued)*

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

The objective evidence of impairment could include:

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

Trade receivables, that are assessed not to be impaired individually, are subsequently assessed for impairment as a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 150 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payable, amount due to a shareholder, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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 profits will be available to allow all or part of the asset to be recovered.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. 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 eligible for capitalisation.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgment that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Estimate impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivables is HK$219,392,000 (2007: HK$231,960,000). Details of movements of allowance for trade receivables are disclosed in note 18.

6. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

Revenue represents the gross amounts received and receivable for goods sold, net of discounts, value-added tax and other sales related taxes, by the Group to outside customers during the year.

Analysis of the Group's revenue is as follow:

	2008	2007
	HK$'000	HK$'000
Sales of goods	**838,870**	740,968
Other income		
– Bank interest income	**186**	368
– Rental income generated from investment properties	**568**	540
– Sales of scrap materials	**23,433**	24,431
– PRC tax refund on capital investment in subsidiaries	**–**	1,620
– Others	**1,636**	1,140
	25,823	28,099
Other gains and losses		
– Impairment loss recognised on trade receivables	**(10,793)**	(2,789)
– Net foreign exchange loss	**(6,330)**	(4,420)
– Fair value changes on investment properties	**(400)**	500
– Fair value changes of derivative financial instruments	**2,504**	–
– Gain on disposal of property interest *(note)*	**13,428**	6,224
– Gain on disposal of other property, plant and equipment	**111**	–
	(1,480)	(485)

Note: During the year ended 31 December 2008, the property interest represented a land use right. During the year ended 31 December 2007, the property interest represented a property in Hong Kong, in which the building element was recognised as property, plant and equipment while the land element was recognised as prepaid lease payments.

7. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**13,116**	13,234
– obligations under finance leases	**4,872**	3,949
	17,988	17,183

8. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**–**	2,098
Underprovision	**–**	57
	–	2,155
PRC Enterprises Income Tax ("EIT")		
Current year	**5,460**	7,470
Overprovision	**(1,800)**	–
	3,660	7,470
	3,660	9,625
Deferred tax *(note 27)*		
Current year	**296**	940
Attributable to a change in tax rate	**(186)**	–
	110	940
	3,770	10,565

8. INCOME TAX EXPENSE *(continued)*

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

During the year ended 31 December 2008, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 27% to 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Zhongshan Tat Chun PCB Company Limited ("Zhongshan PCB") and Guangdong Tat Chun Electric Technology Company Limited ("Guangdong Tat Chun") are entitled to an exemption from the PRC Foreign Enterprise Income Tax ("FEIT") for the first two years commencing from its first profit-making year of operation, and thereafter, these PRC subsidiaries will be entitled to a 50% relief from the PRC FEIT for the following three years ("Tax Holiday"). Under the New Law, the reduced tax rate for the 50% relief from the PRC FEIT is 12.5%. After the expiry of the tax relief period, Zhongshan PCB and Guangdong Tat Chun are subject to an income tax rate of 25%. The first profit-making year of operation of Zhongshan PCB and Guangdong Tat Chun was 2004 and 2008 respectively.

The income tax expense for the year can be reconciled to the profit per consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before tax	**31,491**	70,599
Tax rate applicable to the major operations of the Group	**25%**	27%
Tax at the applicable rate	**7,873**	19,061
Tax effect of expenses not deductible for tax purpose	**4,415**	2,208
Tax effect of income not taxable for tax purpose	**(28)**	(1,524)
Tax effect of tax losses/temporary difference not recognised	**2,968**	768
Tax effect of Tax Holiday of subsidiaries	**(10,828)**	(3,723)
Tax effect of change in tax rate	**(186)**	–
Tax effect of different tax rates of operations/ entities operating in other jurisdiction	**1,356**	(6,282)
Overprovision of PRC EIT	**(1,800)**	–
Underprovision of Hong Kong Profits Tax in previous year	**–**	57
Income tax expense	**3,770**	10,565

9. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	**104,917**	79,366
Retirement benefits schemes contributions	**3,617**	2,690
Total employee expenses	**108,534**	82,056
Allowance for inventory obsolescence	**950**	–
Auditor's remuneration	**1,458**	1,355
Cost of inventories recognised as an expense	**729,030**	596,157
Depreciation of property, plant and equipment	**48,299**	30,031
Release of prepaid lease payments	**740**	1,031

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

2008

	Yeung Hoi Shan ("Mr. Yeung") HK$'000	Wong Wing Choi* HK$'000	Pak Shek Kuen HK$'000	Li Jinxia ("Madam Li") HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Cheung Kwok Ping HK$'000	Ho Man Kay HK$'000	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	–	93	84	84	84	126	84	555
– Salaries and other benefits	2,275	1,680	1,225	–	–	–	–	–	–	5,180
– Share-based payments	594	594	594	296	59	59	–	59	59	2,314
– Retirement benefits scheme contributions	12	12	12	–	–	–	–	–	–	36
Total emoluments	2,881	2,286	1,831	389	143	143	84	185	143	8,085

2007

	Mr. Yeung HK$'000	Wong Wing Choi* HK$'000	Pak Shek Kuen HK$'000	Madam Li HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Cheung Kwok Ping HK$'000	Ho Man Kay HK$'000	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	–	83	83	83	83	125	83	540
– Salaries and other benefits	2,289	1,660	1,073	–	–	–	–	–	–	5,022
– Share-based payments	424	424	424	212	42	42	–	42	42	1,652
– Bonus *(Note)*	161	–	169	–	–	–	–	–	–	330
– Retirement benefits scheme contributions	12	12	12	–	–	–	–	–	–	36
Total emoluments	2,886	2,096	1,678	295	125	125	83	167	125	7,580

* Mr. Wong Wing Choi resigned as an executive director on 23 January 2009.

Note: The bonus was determined based on individual performance.

During the year ended 31 December 2007, the Group provided rent-free accommodation to Mr. Yeung and the annual rateable value of the properties involved, which were owned by the Group, was approximately HK$351,000. The properties was disposed of by the Group to Mr. Yeung at a consideration of HK$14,400,000 on 24 December 2007 (Note 38). No rent-free accommodation was provided to Mr. Yeung during the year ended 31 December 2008.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, three (2007: three) were the directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**1,473**	1,434
Share-based payments	**386**	222
Bonus	**–**	48
Retirement benefits schemes contributions	**24**	24
	1,883	1,728

The aggregate emoluments of remaining two highest paid individuals during the year did not exceed the bands of HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

12. DIVIDENDS

	2008	2007
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2007 Final dividend of HK5 cents per share		
(2007: 2006 Final dividend of HK3.33 cent per share)	**12,000**	8,000
No interim dividend for 2008		
(2007: 2007 Interim dividend of HK2.5 cents per share)	**–**	6,000
	12,000	14,000

The directors recommend the payment of a final dividend of HK1 cent per share for the year ended 31 December 2008 to the shareholders whose names appear on the register of members on 26 May 2009 amounting to approximately HK$2,400,000.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2008 HK$'000	2007 HK$'000
Profit for the year and earnings for the purposes of basic earnings per share	**27,721**	60,034
Weighted average number of shares for the purposes of basic earnings per share	**240,000,000**	240,000,000

No diluted earnings per share has been presented because the exercise price of share options granted by the Company is higher than the Company's market share price.

14. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2007	3,000
Fair value changes recognised in the consolidated income statement	500
At 31 December 2007 and 1 January 2008	3,500
Fair value changes recognised in the consolidated income statement	(400)
At 31 December 2008	3,100

The fair value of the Group's investment properties at 31 December 2008 and 2007 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to recent market evidence of transaction prices for similar properties in the same locations and conditions.

The property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above are situated in Hong Kong held under medium term lease.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2007	610	114,980	193,199	2,233	3,365	4,687	27,297	346,371
Additions	24,377	4,591	111,517	1,080	2,045	3,170	44,752	191,532
Surplus on revaluation	–	16,283	–	–	–	–	–	16,283
Disposals	–	(1,763)	–	–	–	–	(318)	(2,081)
Transfer	(22,087)	–	–	–	–	–	22,087	–
At 31 December 2007 and 1 January 2008	2,900	134,091	304,716	3,313	5,410	7,857	93,818	552,105
Additions	2,496	–	36,821	334	285	1,110	5,279	46,325
Surplus on revaluation	–	5,116	–	–	–	–	–	5,116
Disposals	–	(853)	–	–	(1,025)	–	–	(1,878)
Transfer	(1,518)	–	–	–	–	–	1,518	–
At 31 December 2008	3,878	138,354	341,537	3,647	4,670	8,967	100,615	601,668
Comprising:								
At cost	3,878	–	341,537	3,647	4,670	8,967	100,615	463,314
At valuation – 2008	–	138,354	–	–	–	–	–	138,354
	3,878	138,354	341,537	3,647	4,670	8,967	100,615	601,668
DEPRECIATION AND AMORTISATION								
At 1 January 2007	–	5,119	55,531	606	2,177	2,365	9,088	74,886
Provided for the year	–	2,400	22,046	284	656	1,023	3,622	30,031
Elimination on revaluation	–	(7,119)	–	–	–	–	–	(7,119)
Elimination on disposals	–	(400)	–	–	–	–	(191)	(591)
At 31 December 2007 and 1 January 2008	–	–	77,577	890	2,833	3,388	12,519	97,207
Provided for the year	–	3,269	32,562	453	729	1,342	9,944	48,299
Elimination on revaluation	–	(3,269)	–	–	–	–	–	(3,269)
Elimination on disposals	–	–	–	–	(1,025)	–	–	(1,025)
At 31 December 2008	–	–	110,139	1,343	2,537	4,730	22,463	141,212
CARRYING VALUES								
At 31 December 2008	3,878	138,354	231,398	2,304	2,133	4,237	78,152	460,456
At 31 December 2007	2,900	134,091	227,139	2,423	2,577	4,469	81,299	454,898

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight line method at the following rates per annum:

Buildings	Over the remaining term of lease
Leasehold improvements	Over the shorter of term of lease or 10%
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings and construction in progress comprises shown above are situated in the PRC under medium term leases.

The Group obtained the formal building certificates for its buildings during the year.

As at 31 December 2007, the building certificate of one of the buildings owned by the Group amounting to approximately HK$45,393,000 had not been obtained. The directors believe that the absence of official certificates did not impair the value of the relevant properties of the Group.

As at 31 December 2008, the carrying values of the Group's plant and machinery and motor vehicles include amounts of approximately HK$143,190,000 and HK$1,036,000 (2007: HK$142,870,000 and HK$1,368,000) respectively in respect of assets held under finance leases.

As at 31 December 2008, the buildings of the Group were valued by DTZ Debenham Tie Leung Limited, on an open market basis by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The buildings were valued at depreciated replacement cost approach.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK$108,328,000 (2007: HK$110,689,000).

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008 HK$'000	2007 HK$'000
Leasehold land in the PRC under medium term leases	**23,765**	31,603
Analysed for reporting purposes as:		
Non-current assets	**23,150**	30,822
Current assets	**615**	781
	23,765	31,603

The prepaid lease payments are charged to the consolidated income statement over the respective term of the lease on a straight line basis.

As at 31 December 2007, the land use right certificate amounting to approximately HK$18,197,000 was not obtained. The directors believed that the absence of official certificates did not impair the value of the relevant properties of the Group. The Group obtained the formal land use right certificates for its leasehold land during the year ended 31 December 2008.

17. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	**41,231**	40,428
Work in progress	**21,042**	13,732
Finished goods	**28,180**	34,773
	90,453	88,933

18. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	2008 HK$'000	2007 HK$'000
Trade receivables	**241,185**	242,960
Less: Allowance for doubtful debts	**(21,793)**	(11,000)
Total trade receivables, net of allowance	**219,392**	231,960
Other receivables and prepayments	**27,897**	12,913
	247,289	244,873

The Group generally allows an average credit period of 30 days to 150 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**63,142**	58,854
31 – 60 days	**64,683**	62,141
61 – 90 days	**47,629**	51,410
91 – 180 days	**42,148**	58,487
Over 180 days	**1,790**	1,068
	219,392	231,960

Before accepting any new customer, the Group will evaluate the potential customer's credit risk and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$73,259,000 (2007: HK$63,772,000) which are past due for which the Group has not provided for impairment loss.

18. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

(a) Trade and other receivables *(continued)*

These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2008 **HK$'000**	2007 HK$'000
31 – 60 days	**10,821**	13,951
61 – 90 days	**31,062**	11,251
91 – 180 days	**29,586**	37,502
Over 180 days	**1,790**	1,068
Total	**73,259**	63,772

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts:

	2008 **HK$'000**	2007 HK$'000
Balance at beginning of the year	**11,000**	8,211
Impairment losses recognised on receivables	**10,793**	2,789
Balance at end of the year	**21,793**	11,000

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$21,793,000 (2007: HK$11,000,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

18. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

(b) Bills receivable

The aged analysis of bills receivable is as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**122**	59
31 – 60 days	**2,382**	3,258
61 – 90 days	**1,952**	2,207
91 – 180 days	**312**	493
	4,768	6,017

The trade, bills and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
United States dollars ("US$")	**180,625**	203,195
Renminbi ("RMB")	**43,187**	20,000
	223,812	223,195

19. AMOUNT DUE FROM A RELATED COMPANY

The amount due from Illumination Limited, a company owned by Mr. Yeung, represented the consideration receivable on disposal of a property interest during the year ended 31 December 2007 and was settled in February 2008.

The related company's account disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Director	Terms of loan	Balance at 31 December 2008 HK$'000	Balance at 1 January 2008 HK$'000	Maximum amount outstanding during the year HK$'000
Mr. Yeung (Director)	Unsecured and interest free	–	13,680	13,680

20. INVESTMENT DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance represented an unlisted commodity linked note issued by a financial institution with principal amount of US$1,200,000 that matured on 3 April 2009. The redemption amount at maturity date was calculated by a predetermined formula based on the copper price on that date with a maximum loss capped at 5% of the principal amount. The fair value of the commodity note is determined by the directors of the Company by the reference to the expected future price of copper.

The note was redeemed on maturity date at approximately HK$8,890,000, resulting a loss of HK$470,000 on redemption.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Major terms of foreign currency forward contracts as at 31 December 2008 are as below:

Aggregate notional amount	Maturity	Forward exchange rates
US$7,060,000	From January 2009 to June 2009	Sell US$/buy RMB at 6.3510 to 6.6060

The fair values of forward contracts are determined based on the difference between the market forward rates at the balance sheet date for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

All of the Group's derivative financial instruments are denominated in US dollars which is other than the functional currency of the respective group entities.

22. RESTRICTED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

	2008 **HK$'000**	2007 HK$'000
Restricted bank deposits	**18,373**	–
Bank deposits	**15,628**	–
Bank balances and cash	**44,200**	70,663
	59,828	70,663

Restricted bank deposits, bank balances and deposits carry interest at market interest rates ranging from 0.28% to 1.90% (2007: 0.25% to 1.05%) per annum.

The restricted bank deposits, bank balances, deposits and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US$	**10,777**	27,278
RMB	**35,580**	21,317
	46,357	48,595

23. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables is as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**22,453**	29,720
31 – 60 days	**20,705**	29,320
61 – 90 days	**48,553**	46,774
91 – 180 days	**101,450**	46,754
Over 180 days	**7,046**	3,411
	200,207	155,979
Other payables and accruals	**30,054**	42,631
	230,261	198,610

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Bills payable

The aged analysis of bills payable is as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**32,125**	1,604
31 – 60 days	**3,695**	4,566
61 – 90 days	**2,872**	6,685
91 – 180 days	**1,303**	11,478
	39,995	24,333

The trade, bills and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
US$	**8,945**	56,992
RMB	**158,155**	57,300
	167,100	114,292

24. BANK AND OTHER BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans	**162,519**	202,004
Trust receipt loans	**23,443**	61,056
	185,962	263,060
Analysed as:		
Secured	**69,161**	130,000
Unsecured	**116,801**	133,060
	185,962	263,060
Carrying amount repayable:		
On demand or within one year	**177,962**	143,899
More than one year, but not exceeding two years	**4,000**	119,161
More than two years, but not exceeding five years	**4,000**	–
	185,962	263,060
Less: Amounts due within one year shown under current liabilities	**(177,962)**	(143,899)
	8,000	119,161

The bank loans were secured by assets of the Group as disclosed in note 36.

As at 31 December 2008, in respect of bank loans with carrying amounts of approximately HK$84,161,000 as at that date, the Group breached certain financial covenants as stipulated in the banking facilities letters entered into by the Group, which are primarily related to the working capital ratio and gearing ratio. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loans with the relevant bankers. At the balance sheet date, as the lenders have not yet agreed to waive their right to demand immediate payment, the non-current portion of these loans amounting to HK$65,000,000 has been classified as a current liability in the consolidated financial statements. The Group agreed with the lenders of the bank loans to early settle the outstanding principal balance of these loans of HK$85,000,000 by utilising the available funds and facilities of the Group. The outstanding balances were fully settled on 14 April 2009.

24. BANK AND OTHER BORROWINGS *(continued)*

The above borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
US$	**26,782**	–
RMB	**11,364**	–
	38,146	–

As at 31 December 2008, the balances of fixed-rate borrowings and variable-rate borrowings are HK$11,364,000 (2007: nil) and HK$174,598,000 (2007: HK$263,060,000) respectively.

The contractual interest rates of variable-rate bank loans are Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.30% to 2.25% (2007: HIBOR plus 1.50% to 2.50%) per annum. Interest is repricing every year.

The ranges of interest rates on the Group's borrowings are as follows:

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	**5.58%**	N/A
Variable-rate borrowings	**2.77% to 6.25%**	4.65% to 6.90%

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2008 HK$'000	2007 HK$'000	**2008** HK$'000	2007 HK$'000
Amounts payable under finance leases:				
Within one year	**45,991**	43,903	**43,492**	39,008
In the second year	**31,585**	36,920	**30,758**	34,257
In the third year	**9,962**	21,893	**9,827**	21,132
In the fourth year	**736**	4,192	**731**	4,093
In the fifth year	**–**	184	**–**	181
	88,274	107,092	**84,808**	98,671
Less: Future finance charges	**(3,466)**	(8,421)	**N/A**	N/A
Present value of lease obligations	**84,808**	98,671	**84,808**	98,671
Less: Amount due within one year shown under current liabilities			**(43,492)**	(39,008)
Amount due after one year			**41,316**	59,663

25. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is two years and the contractual interest rates for the year are HIBOR plus 1.50% to 2% (2007: HIBOR plus 1.88% to 2%) per annum. For the year ended 31 December 2008, the contractual interest rates ranged from 2.97% to 5.97% (2007: 4.63% to 7.12%) per annum and the average effective interest rate was 5.31% (2007: 6.50%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

During the year ended 31 December 2008, the Group entered into finance lease arrangements of approximately HK$36,738,000 (2007: HK$80,663,000), in which an amount of approximately HK$19,163,000 (2007: nil) was related to property, plant and equipment acquired in previous years.

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

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company and subsidiaries of the Company.

26. AMOUNT DUE TO A SHAREHOLDER

The balance is unsecured, interest-free and repayable on 29 June 2010. The amount was initially recognised at fair value of approximately HK$20,627,000, determined using cash flows discounted at an effective interest rate of 5.8% per annum. The difference of approximately HK$1,830,000 between the nominal value and the fair value of the amount on its inception date was recognised as a deemed capital contribution from a shareholder.

The amount due to a shareholder that is denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
RMB	**14,657**	–

27. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2007	2,312	–	2,312
Charge to consolidated income statement for the year	940	–	940
Charge to equity for the year	–	6,029	6,029
At 31 December 2007 and 1 January 2008	3,252	6,029	9,281
Charge to consolidated income statement for the year	296	–	296
Charge to equity for the year	–	2,097	2,097
Effect of changes in tax rate	(186)	–	(186)
At 31 December 2008	**3,362**	**8,126**	**11,488**

At 31 December 2008, the Group had unused tax losses of approximately HK$3,135,000 (2007: HK$2,941,000) available for offset against future assessable profits in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax loss can be carried forward indefinitely.

At 31 December 2008, the Group has deductible temporary differences associated with specific provision on trade receivables and inventories of approximately HK$22,743,000 (2007: HK$11,000,000). No deferred tax asset has been recognised of such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed retained profits earned by the PRC subsidiaries, as the Group is able to control the quantum and timing of the distribution.

At the balance sheet date, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was approximately HK$51,821,000 (2007: 0).

28. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007, 31 December 2007 and 31 December 2008	240,000,000	24,000

29. RESERVES

(a) PRC statutory reserve

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

(b) Special reserve

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the Group reorganisation (details refer to prospectus dated 12 June 2006).

(c) Capital contribution reserve

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

30. SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The directors may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The exercise price of the share options is determined, at the discretion of the directors, and must be at least the higher of:

(a) the average of the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options;

(b) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options; and

(c) the nominal value of the shares of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK$1.

30. SHARE OPTION SCHEME *(continued)*

The following table discloses the details of the Company's share options and movements for both years:

	Balance at 1 January 2007	Granted during the year	Forfeited during the year	**Outstanding at 31 December 2007 and at 1 January 2008**	**Granted during the year**	**Forfeited during the year**	**Balance at 31 December 2008**
Directors	–	7,800	–	**7,800**	**–**	**–**	**7,800**
Other employees	–	7,760	(1,780)	**5,980**	**–**	**(1,180)**	**4,800**
	–	15,560	(1,780)	**13,780**	**–**	**(1,180)**	**12,600**
Exercisable at the end of the year				**–**			**6,304**

The exercise price per share is HK$1.52.

The options were granted on 3 July 2007 and will be expired on 2 July 2011. The closing price of the Company's share immediately before the date on which the options were granted was HK$1.50.

Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date grant.

No share options are granted during the year. The total fair value of the share options granted in 2007 was HK$10,313,000. With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

	2008 HK$'000	2007 HK$'000
Directors' emoluments	**2,314**	1,652
Other staff costs	**1,084**	1,565
	3,398	3,217

30. SHARE OPTION SCHEME *(continued)*

The fair values of the share options granted during the year ended 31 December 2007 were calculated using the Binominal Model (the "Model"). The inputs into the model were as follows:

	3 July 2007
Exercise price	HK$1.52
Share price on date of grant	HK$1.52
Expected volatility	58.24%
Expected life	4 years
Risk-free rate	4.18%
Expected dividend yield	2.19%

The model is one of the commonly used models to estimate the fair value of the share options which involves assumptions and variables based on the management's best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous twelve months. The expected life used in the model is based on management's best estimate.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, and equity attributable to equity holders as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issue of new shares or debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Designated as at FVTPL	**9,349**	–
Derivative financial instruments	**1,301**	–
Loans and receivables (including cash and cash equivalents)	**303,735**	327,930
Financial liabilities		
Amortised cost	**532,780**	544,171

32. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, bills receivable, amount due from a related company, investment designated as at FVTPL, derivative financial instruments, restricted bank deposits, bank balances, deposits and cash, trade and other payables, bills payable, amount due to a shareholder, bank and other borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group operates in Hong Kong ("HK") and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. In order to mitigate the currency risk, the Group has entered into forward currency contracts to partially hedge US$ against RMB. Details of the contracts are set out in note 21. The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the reporting date are as follow:

	2008	2007
	HK$'000	HK$'000
Assets		
US$	**202,052**	230,473
RMB	**78,767**	41,317
Liabilities		
US$	**35,727**	56,992
RMB	**184,176**	57,300

Sensitivity analysis

The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 10% against RMB, the Group's post-tax profit for the year ended 31 December 2008 would decrease by HK$7,906,000 (2007: HK$1,167,000). If the HK$ strengthened by 10% against RMB, there would be an equal and opposite impact on the profit for the year.

32. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and polices *(continued)*

Market risk (continued)

(i) Currency risk *(continued)*

For the outstanding derivative financial instruments, the market bid and ask forward exchange rate of US$ against RMB had been 10% higher/lower, profit for the year ended 31 December 2008 would decrease/increase by approximately HK$499,000.

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent market risk as the pricing model used in determining the fair value of the derivatives is interdependent.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24 for details of these borrowings). The Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group negotiated with the banks and entered into various revolving loans such that interest rates associated with the loans are more or less variable. In this regard, the directors of the Company consider that the Group's fair value interest rate risk is minimal.

The Group is also exposed to cash flow interest rate risk in relation to its restricted bank deposits, bank balances and deposits (see note 22 for details) and its variable-rate bank borrowings and obligations under finance leases (see notes 24 and 25 for details of these borrowings and leases). It is the Group's policy to keep its borrowings and leases at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

Since restricted bank deposits, bank balances and deposits are in short maturity date and in current accounts, the Group does not expect any significant impact due to movement in interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating-rate bank borrowings and obligations under finance leases at the balance sheet date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 120 basis points (2007: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

32. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and polices *(continued)*

Market risk (continued)

(ii) Interest rate risk *(continued)*

Sensitivity analysis *(continued)*

The management adjusted the sensitivity rate from 100 basis points to 120 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions after the third quarter of 2008.

If interest rates had been 120 basis points (2007: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2008 would decrease/increase by HK$2,335,000 (2007: decrease/increase by HK$2,641,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate debt instruments.

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group has concentration of credit risk on certain individual customers. At the balance sheet date, the five largest receivable balances accounted for approximately 36.2% of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 11.4% of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on restricted bank deposits, bank balances and deposits and investment designated as at fair value through profit or loss are limited because the counterparts are banks with high reputation.

32. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and polices *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current liabilities of approximately HK$74,262,000 (2007: net current assets HK$381,000) as at 31 December, 2008. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

The Group relies on bank borrowings as a significant source of liquidity. As at December 2008, certain loan covenants were breached by the Group and the non-current portion of the loans amounting to HK$65,000,000 was reclassified as a current liability. Details are set out in note 2. As at 31 December 2008, the Group has available unutilised banking facilities of approximately HK$162 million (2007: HK$145 million). The directors are of the opinion that the Group will be able to renew the banking facilities granted by the banks and the Group expects to have adequate funding to finance its operations and capital expenditure.

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

	Weighted average effective interest rate	Within 1 year	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Trade and other payables	**–**	**201,388**	**–**	**–**	**–**	**201,388**	**201,388**
Bills payable	**–**	**39,995**	**–**	**–**	**–**	**39,995**	**39,995**
Amount due to a shareholder	**5.80%**	**–**	**22,457**	**–**	**–**	**22,457**	**20,627**
Obligations under finance leases	**5.31%**	**45,991**	**31,585**	**9,962**	**736**	**88,274**	**84,808**
Bank and other borrowings							
– fixed rate	**5.58%**	**11,998**	**–**	**–**	**–**	**11,998**	**11,364**
– variable rate	**5.80%**	**176,261**	**4,232**	**4,477**	**–**	**184,970**	**174,598**
		475,633	**58,274**	**14,439**	**736**	**549,082**	**532,780**
2007							
Trade and other payables	–	158,107	–	–	–	158,107	158,107
Bills payable	–	24,333	–	–	–	24,333	24,333
Obligations under finance leases	6.50%	43,903	36,920	21,893	4,376	107,092	98,671
Bank and other borrowings							
– variable rate	5.60%	151,957	125,834	–	–	277,791	263,060
		378,300	162,754	21,893	4,376	567,323	544,171

32. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices respectively;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions and dealer quotes for similar instruments;

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost on the consolidated financial statements approximate to their fair values.

33. MAJOR NON-CASH TRANSACTION

During the year, the Company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$17,575,000 (2007: HK$80,663,000).

34. OPERATING LEASES

(a) Operating lease commitments

The Group as lessee

Minimum lease payments paid under operating leases

	2008 **HK$'000**	2007 HK$'000
Premises	**845**	854

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**781**	778
In the second year	**504**	755
In the third year	**–**	504
	1,285	2,037

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term of two years with fixed rental.

34. OPERATING LEASE *(continued)*

(b) Operating lease arrangements

The Group as lessor

Property rental income earned during the year was approximately HK$568,000 (2007: HK$540,000). The outgoings of the rental income were approximately HK$42,000 (2007: HK$51,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	2008 **HK$'000**	2007 HK$'000
Within one year	**250**	208
In the second to fifth year inclusive	**83**	–
	333	208

The properties held have committed tenants for an average terms ranging from one to two years.

35. CAPITAL COMMITMENT

	2008 **HK$'000**	2007 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**15,815**	23,057

36. PLEDGE OF ASSETS

As at 31 December 2008, the equity interests of two PRC subsidiaries with net asset values of approximately HK$380,254,000 (2007: HK$353,553,000) were pledged to banks to secure general banking facilities granted to the Group.

37. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the MPF Authority under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,000 per month. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC government is to make the required contributions under the schemes.

38. RELATED PARTY DISCLOSURES

Details of transactions between the Group and other related parties are disclosed below:

(a) The remuneration of directors (representing key management) during the year are set out in note 10.

(b) During the year ended 31 December 2008, Mr. Yeung, being the substantial shareholder and executive director of the Company, advanced an amount of approximately HK$22,457,000 to the Group for the purpose of financing the daily operation of the Group. The amount was unsecured, interest-free and repayable on 29 June 2010.

(c) As at 31 December 2007, the Group's bank loan amounting to HK$6,082,000 was secured by a property owned by Mr. Yeung. During the year ended 31 December 2008, the bank loan was repaid and the property owned by Mr. Yeung was discharged.

(d) During the year ended 31 December 2007, the Group disposed of a property interest in HK to Illumination Limited, a company owned by Mr. Yeung, the substantial shareholder and an executive director of the Company, at a consideration of HK$14,400,000. Such property was used and occupied by Mr. Yeung as a director's quarter. Having regard to the then property market in Hong Kong, the directors considered that the disposal represented a good opportunity to realise a gain for the disposal. The terms of the sales and purchase agreement were arrived at arm's length negotiations and are on normal commercial terms.

39. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into the following three business divisions:

Principal activities are manufacturing and trading of:

– Single-sided printed circuit board ("PCB") ("Single-sided")

– Double-sided PCB ("Double-sided")

– Multi-layered PCB ("Multi-layered")

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	2008 **HK$'000**	2007 HK$'000
TURNOVER – external sales		
Single-sided	**199,836**	173,076
Double-sided	**309,102**	410,488
Multi-layered	**329,932**	157,404
Total	**838,870**	740,968

	2008 **HK$'000**	2007 HK$'000
RESULT		
Segment result		
– single-sided	**3,618**	8,213
– double-sided	**21,886**	60,334
– multi-layered	**14,928**	20,574
	40,432	89,121
Unallocated income	**18,433**	10,392
Unallocated expenses	**(9,386)**	(11,731)
Finance costs	**(17,988)**	(17,183)
Profit before tax	**31,491**	70,599
Income tax expense	**(3,770)**	(10,565)
Profit for the year	**27,721**	60,034

39. SEGMENTAL INFORMATION *(continued)*

CONSOLIDATED BALANCE SHEET

	2008 HK$'000	2007 HK$'000
ASSETS		
Segment assets		
– single-sided	**120,562**	120,294
– double-sided	**228,365**	281,250
– multi-layered	**458,991**	388,797
	807,918	790,341
Unallocated corporate assets	**117,658**	130,810
Consolidated total assets	**925,576**	921,151
LIABILITIES		
Segment liabilities		
– single-sided	**62,805**	58,854
– double-sided	**97,146**	139,586
– multi-layered	**104,874**	53,525
	264,825	251,965
Unallocated corporate liabilities	**325,034**	360,706
Consolidated total liabilities	**589,859**	612,671

OTHER INFORMATION

	2008 HK$'000	2007 HK$'000
Capital additions		
– single-sided	**–**	1,047
– double-sided	**1,243**	2,196
– multi-layered	**43,170**	179,957
– unallocated	**1,912**	8,332
	46,325	191,532
Depreciation of property, plant and equipment		
– single-sided	**3,229**	3,390
– double-sided	**13,251**	10,034
– multi-layered	**26,170**	9,235
– unallocated	**5,649**	7,372
	48,299	30,031
Impairment loss recognised in respect of trade receivables		
– single-sided	**2,571**	651
– double-sided	**3,977**	1,545
– multi-layered	**4,245**	593
	10,793	2,789
Allowance for inventory obsolescence		
– single-sided	**181**	–
– double-sided	**485**	–
– multi-layered	**284**	–
	950	–

39. SEGMENTAL INFORMATION *(continued)*

Geographical segments

The Group's operations are located in HK and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	Sales revenue by geographical market	
	2008	2007
	HK$'000	HK$'000
Asia:		
Taiwan	**234,513**	4,655
HK	**219,148**	460,809
The PRC (excluding HK and Taiwan)	**110,897**	81,249
Japan	**52,928**	1,130
Other Asian regions	**43,882**	69,835
Europe	**147,839**	99,909
Others	**29,663**	23,381
	838,870	740,968

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK	**225,311**	257,014	**35**	2,952
The PRC (excluding HK and Taiwan)	**582,607**	533,327	**46,290**	188,580
	807,918	790,341	**46,325**	191,532

40. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's wholly-owned principal subsidiaries at 31 December 2008 and 2007 are set out below:

Name of subsidiary	Place and incorporation/ operation	Issued and fully paid share capital/ Registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company Directly	Indirectly	Principal activities
Pacific Leader Development Limited 亮宇發展有限公司	HK	Ordinary shares HK$10,000	100%	–	Investment holding
Tat Chun PCB Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	100%	–	Trading of printed circuit boards
Zhongshan Electric Company Limited *(Note)* 中山市達進電子元件有限公司	The PRC	Registered capital HK$36,600,000	–	100%	Manufacturing and trading of printed circuit boards
Zhongshan PCB *(Note)* 中山市達進電子有限公司	The PRC	Registered capital HK$140,000,000	–	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun *(Note)* 廣東達進科技有限公司	The PRC	Registered capital HK$250,000,000	100%	–	Manufacturing and trading of printed circuit boards

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

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

Note: The companies are wholly foreign-owned enterprises established in the PRC.

RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	420,965	495,632	613,156	740,968	**838,870**
Profit for the year	37,361	37,289	39,098	60,034	**27,721**

ASSETS AND LIABILITIES

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	456,911	491,523	692,799	921,151	**925,576**
Total liabilities	(345,981)	(343,364)	(450,943)	(612,671)	**(589,859)**
Shareholders' funds	110,930	148,159	241,856	308,480	**335,717**

Note: The financial information for each of the two years ended 31 December 2005 has been prepared using the principles of merger accounting to present the results of the Group as if the Group reorganisation (details refer to prospectus dated 12 June 2006), at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for the two years ended 31 December 2005, and the assets and liabilities as at 31 December 2004 and 2005 have been extracted from the Company's prospectus dated 12 June 2006.