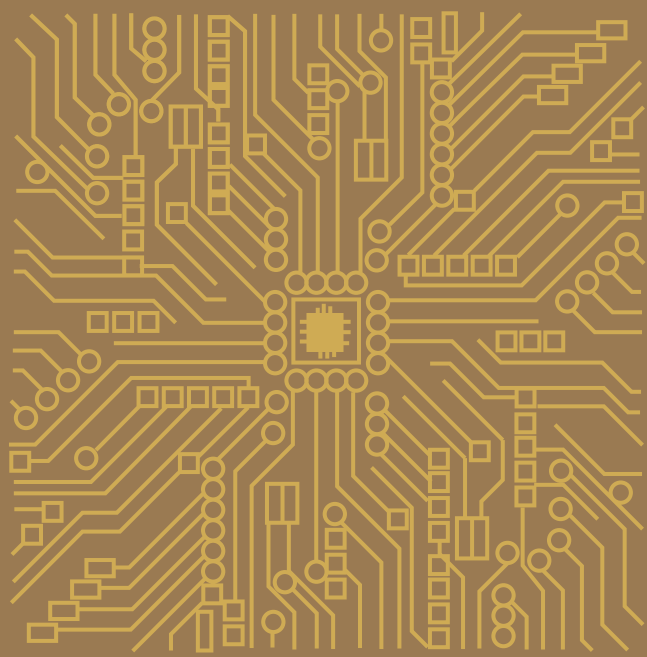
GRANDE

THE GRANDE HOLDINGS LIMITED



A N N U A L   R E P O R T   2 0 0 8

(Stock code no. 186)

THE GRANDE HOLDINGS LIMITED

ANNUAL REPORT 2008

CONTENTS

CORPORATE INFORMATION

FOUNDING CHAIRMAN

Dr. Stanley Ho

BOARD OF DIRECTORS

Executive Directors

Mr. Christopher W. Ho
Chairman
Mr. Adrian C. C. Ma
Group Managing Director
Mrs. Christine L. S. Asprey
Mr. C. F. Lam
(resigned on 31 December 2008)
Mr. Paul K. F. Law

Non-executive Director

Mr. Michael A. B. Binney
(re-designated from executive director on 31 January 2009)

Independent Non-executive Directors

Mr. Henry C. S. Chong
(appointed on 1 November 2008)
Mr. Johnny W. H. Lau
(resigned on 1 November 2008)
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

AUDITORS

Moore Stephens

COMPANY SECRETARY

Mr. Christopher T. O. Chiang

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

CORPORATE OFFICE IN HONG KONG

12th Floor, The Grande Building,
398 Kwun Tong Road,
Kowloon, Hong Kong

CORPORATE OFFICE IN SINGAPORE

8 Commonwealth Lane,
Grande Building,
Singapore 149555

REGISTERED OFFICE

#2 Reid Street,
Hamilton HM 11, Bermuda

SHARE REGISTRAR

Tricor Tengis Limited
Level 25, Three Pacific Place,
1 Queen's Road East,
Hong Kong

SHARE TRANSFER OFFICE

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

COMPANY'S WEBSITE

http://www.grandeholdings.com

CHAIRMAN’S STATEMENT

For the financial year of 2008, the Group reported a consolidated loss attributable to shareholders of HK$240 million, a reduction of HK$355 million as compared to the consolidated loss of HK$595 million in 2007.

An interim dividend of HK5 cents per share was paid on 12 November 2008. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 given that the business environment in the coming year is still uncertain.

The financial tsunami originated in the United States in the second half of 2008 was an unprecedented global crisis which rapidly swamped the world economy. The global synchronized recession and mass layoffs have led the consumers' confidence level in the major economies falling to a historic low. The Group's operations and investments are unavoidably affected. In face of this extremely challenging business environment, the Group will continue to review its strategies and operations with a view to improving its business performance.

The Group has been taking measures to rationalize its operating structures and business processes since 2007 so as to improve the operational efficiency and long-term profitability. The Group's Branded Distribution Division will continue to focus on expanding the global trademark licensing operations with its brands namely, Nakamichi, Akai, Sansui and Emerson while the Electronics Manufacturing Services Division will focus on providing high precision engineering contract services with the state-of-the-art Surface Mount Technology machines in its PRC plants to OEM customers. The existing business models have enabled the Group to reduce significantly its working capital requirement and generate consistent return on its investments. The Group expects to make continuous improvement in its financial results in consequence of these rationalization programs.

I would like to extend my appreciation to the management and staff of the Group for their dedication, loyalty and commitment. I would also like to thank our shareholders, customers, suppliers and business associates for their continuing support and confidence in the Group.

Christopher W. Ho
Chairman
Hong Kong, 25 April 2009

REVIEW OF OPERATIONS AND PROSPECTS

For the year 2008, the Group's net loss attributable to shareholders was HK$240 million as compared to a loss of HK$595 million for the year 2007.

The total turnover was HK$2,432 million for the year as compared to HK$7,187 million for 2007. The gross profit from operating activities was HK$352 million as compared to HK$511 million for 2007.

The core business segments of the Group comprise The Branded Distribution Division and The Electronics Manufacturing Services Division.

THE BRANDED DISTRIBUTION DIVISION

The Division manages the distribution and licensing of global brands namely, Nakamichi, Akai, Sansui and Emerson.

The Division's turnover for 2008 was HK$1,798 million as compared to HK$4,326 million for 2007. The substantial reduction in turnover was mainly attributable to the change of the Division's operations from the manufacture and sale of branded products to the global trademark licensing of the brands, Akai and Sansui. The operating profit of the Division for the year was improved to HK$8 million as compared to a loss of HK$91 million in 2007, despite the serious downturn in the worldwide major economies caused by the financial tsunami towards the end of 2008.

Emerson is a well-known brand in the United States focusing on entry level to mid price consumer electronic products. Although sales were affected by the recent recession in the United States, Emerson has successfully expanded its home appliances product lines to include wine coolers, small refrigerators, coffee makers, toaster ovens and microwave ovens in addition to the conventional audio and themed electronic products.

Nakamichi is the Division's premium brand focusing on the top end lifestyle entertainment products including a full range of flat panel display products, audio, video and home theatre systems. The Division will continue to distribute the state-of-the-art products through Nakamichi's network of qualified distributors worldwide.

As the financial tsunami takes its toll, the outlook for the United States and the European markets remains uncertain. The Division will tightly control its expenses and implement effective cost measures to reduce the overall operating costs. At the same time, the Division will continue to focus on expanding the licensing of Emerson, Akai, Sansui and Nakamichi trademarks to global markets. It is believed that the receipt of royalty income will deliver a more consistent return on investments and thus reduce the need for working capital. The Group will also realize the full potential of its portfolio of international brands by continuing to seek ways to improve their competitive edge and distribution efficiency.

THE ELECTRONICS MANUFACTURING SERVICES DIVISION

The Electronics Manufacturing Services Division ("EMS") provides manufacturing and high precision engineering contract services to the OEM customers.

The EMS turnover for 2008 was HK$634 million as compared to HK$2,861 million for 2007. The reduction in turnover was attributable to the shift of EMS's focus from the manufacture and sale of completed products to the provision of high precision engineering contract services. The EMS, equipped with the latest state-of-the-art Surface Mount Technology machines and associated equipment, continues to deliver high quality manufacturing services to major global brands.

In consequence of the global economic crisis, the EMS profitability was unavoidably affected by the worldwide shrinkage of the consumer electronics industry. The EMS operating loss for 2008 was HK$11 million as compared to a loss of HK$7 million in 2007. The EMS has been putting continuous efforts to improve its production efficiency and thus competitiveness by controlling and reducing operating costs through rationalization programs. On the strength of its well-established relationship with the top-tier customers and its capability of meeting high precision manufacturing requirements, the EMS's financial results are expected to make continuous growth and improvement.

Adrian C. C. Ma
Group Managing Director

Hong Kong, 25 April 2009

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2008.

CORPORATE GOVERNANCE PRACTICES

The Company wishes to emphasize the importance of its Board in introducing and maintaining high standards of corporate governance and transparency and accountability of Company operations.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions set out in the CG Code throughout the year under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

BOARD COMPOSITION

The Board currently comprises eight members, consisting of four executive directors, one non-executive director and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Mr. Christopher W. Ho *(Chairman)*
Mr. Adrian C. C. Ma *(Group Managing Director/Chief Executive Officer)*
Mrs. Christine L. S. Asprey
Mr. Paul K. F. Law

Non-executive director:

Mr. Michael A. B. Binney (re-designated from executive director on 31 January 2009)

Independent non-executive directors:

Mr. Henry C. S. Chong (appointed on 1 November 2008)
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

Changes in directorship during 2008 are summarized under "Corporate Information" on page 5 of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Brief Biographical Details in respect of Directors" on page 23.

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Christopher W. Ho and the Chief Executive Officer is Mr. Adrian C. C. Ma. The positions of the Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgment of views. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company is engaged on a service contract and each of the non-executive directors is subject to retirement by rotation pursuant to the Company's Bye-laws. The appointment may be terminated by not less than one month's written notice.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Nomination Committee

On 1 November 2008, Mr. Johnny W. H. Lau resigned as an independent non-executive director of the Company and ceased to be the Chairman of Nomination Committee due to his busy personal business commitments. Mr. Henry C. S. Chong was appointed to replace Mr. Johnny W. H. Lau as the Chairman of Nomination Committee on the same day. The Nomination Committee currently comprises three members, namely Mr. Henry C. S. Chong (Chairman), Mr. Christopher W. Ho and Mr. Herbert H. K. Tsoi, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the independent non-executive directors. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee met once during the year ended 31 December 2008 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Bye-laws, Mr. Adrian C. C. Ma, Mr. Paul K. F. Law, Mr. Herbert H. K. Tsoi and Mr. Henry C. S. Chong shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 30 April 2009 contains detailed information of the directors standing for re-election.

There was one meeting held by the Nomination Committee during the year ended 31 December 2008 and the attendance records are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Johnny W. H. Lau (resigned on 1 November 2008)	1/1
Mr. Henry C. S. Chong (appointed on 1 November 2008)	0/0
Mr. Christopher W. Ho	1/1
Mr. Herbert H. K. Tsoi	1/1

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Newly appointed directors shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, Chief Executive Officer and Company Secretary attend the regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance Records

During the year ended 31 December 2008, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings during the year ended 31 December 2008 are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Christopher W. Ho	3/4
Mr. Adrian C. C. Ma	2/4
Mrs. Christine L. S. Asprey	4/4
Mr. Paul K. F. Law	0/4
Mr. C. F. Lam (resigned on 31 December 2008)	0/4
Mr. Michael A. B. Binney	2/4
Mr. Henry C. S. Chong (appointed on 1 November 2008)	1/1
Mr. Herbert H. K. Tsoi	3/4
Mr. Johnny W. H. Lau (resigned on 1 November 2008)	3/3
Mr. Martin I. Wright	4/4

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2008.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of directors and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2008 are set out on page 56 in note 9 to the financial statements.

REMUNERATION COMMITTEE

On 1 November 2008, Mr. Johnny W. H. Lau resigned as a member of the Remuneration Committee. Mr. Henry C. S. Chong was appointed to replace Mr. Johnny W. H. Lau as a member of the Remuneration Committee on the same day. The Remuneration Committee currently comprises three members, namely Mr. Herbert H. K. Tsoi (Chairman), Mr. Christopher W. Ho and Mr. Henry C. S. Chong, the majority of them are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

There was one meeting held by the Remuneration Committee during the year ended 31 December 2008 and the attendance records are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Herbert H. K. Tsoi	1/1
Mr. Christopher W. Ho	1/1
Mr. Henry C. S. Chong (appointed on 1 November 2008)	0/0
Mr. Johnny W. H. Lau (resigned on 1 November 2008)	1/1

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2008.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

INTERNAL CONTROLS

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

AUDIT COMMITTEE

On 1 November 2008, Mr. Johnny W. H. Lau resigned as a member of the Audit Committee. Mr. Henry C. S. Chong was appointed to replace Mr. Johnny W. H. Lau as a member of the Audit Committee on the same day. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Martin I. Wright (Chairman), Mr. Henry C. S. Chong and Mr. Herbert H. K. Tsoi (all of them possess the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 31 December 2007 and interim results and interim report for the six months ended 30 June 2008, the financial reporting and compliance procedures, the report of Internal Auditor on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

There were two meetings held by the Audit Committee during the year ended 31 December 2008 and the attendance records are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Martin I. Wright	2/2
Mr. Herbert H. K. Tsoi	2/2
Mr. Johnny W. H. Lau (resigned on 1 November 2008)	2/2
Mr. Henry C. S. Chong (appointed on 1 November 2008)	0/0

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 28 and 29.

During the year under review, the remuneration paid to the Company's external auditors is set out below:

Category of services	Fee paid/payable HK$ million
Audit service	7.7
Non-audit service	
– Tax and consulting services	0.5
Total	8.2

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

To promote effective communication, the Company maintains a website at www.grandeholdings.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted. Investors may write directly to the Company at its corporate office in Hong Kong for any inquiries.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions set out in the notice of the Annual General Meeting ("AGM") will be voted by poll accordingly.

An announcement on the poll vote results will be made by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

On behalf of the Board

Christopher W. Ho
Chairman

Hong Kong, 25 April 2009

The directors herein present their report and the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates consist of the manufacture and distribution of electronic products and components, trading of audio & video products and licensing of trademarks.

SEGMENTED INFORMATION

Details of turnover and segmented information are set out in notes 7 and 46 to the financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2008 and the state of affairs of the Group at that date are set out in the financial statements on pages 30 to 88.

An interim cash dividend of HK5 cents per ordinary share was paid on 12 November 2008. The directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 December				
	2008 HK$ million	2007 HK$ million	2006 HK$ million	2005 HK$ million	2004 HK$ million
CONTINUING OPERATIONS – TURNOVER	**2,432**	7,187	8,755	5,469	5,733
(LOSS)/PROFIT BEFORE TAX	**(298)**	(1,002)	280	270	344
Tax	**(3)**	(19)	(32)	(11)	(7)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	**(301)**	(1,021)	248	259	337
Minority interests	**61**	55	28	20	66
	(240)	(966)	276	279	403
DISCONTINUED OPERATIONS	**–**	371	84	23	35
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**(240)**	(595)	360	302	438

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES

	31 December				
	2008	2007	2006	2005	2004
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
NON-CURRENT ASSETS	**2,838**	3,086	4,379	3,067	3,244
CURRENT ASSETS	**1,226**	4,123	3,608	3,635	3,095
TOTAL ASSETS	**4,064**	7,209	7,987	6,702	6,339
CURRENT LIABILITIES	**1,200**	3,530	3,198	3,113	2,981
NON-CURRENT LIABILITIES	**736**	432	833	423	306
TOTAL LIABILITIES	**1,936**	3,962	4,031	3,536	3,287
NET ASSETS	**2,128**	3,247	3,956	3,166	3,052
SHARE CAPITAL AND RESERVES	**1,357**	2,388	2,993	2,708	2,540
MINORITY INTERESTS	**771**	859	963	458	512
TOTAL EQUITY	**2,128**	3,247	3,956	3,166	3,052

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 15 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 47 and 16 to the financial statements, respectively.

SHARE CAPITAL AND SHARE PREMIUM

Details of movements in the Company's share capital and share premium are set out in notes 37 and 38 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda amounted to HK$686 million.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 27% and 54%, respectively, of the Group's total turnover for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 25% and 60%, respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 9 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Mrs. Christine L. S. Asprey	
Mr. Michael A. B. Binney	
Mr. Henry C. S. Chong	(appointed on 1 November 2008)
Mr. Christopher W. Ho	
Mr. C. F. Lam	(resigned on 31 December 2008)
Mr. Johnny W. H. Lau	(resigned on 1 November 2008)
Mr. Paul K. F. Law	
Mr. Adrian C. C. Ma	
Mr. Herbert H. K. Tsoi	
Mr. Martin I. Wright	

In accordance with the provisions of the Company's Bye-laws, Mr. Henry C. S. Chong, Mr. Paul K. F. Law, Mr. Adrian C. C. Ma and Mr. Herbert H. K. Tsoi will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors who are proposed for re-election do not have any unexpired service contract with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and HKSE were as follows:

Long positions in shares:

Directors	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Interest in corporation	320,633,822*	69.66%
Mr. Adrian C. C. Ma	Beneficial owner	78,000	0.02%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary Barrican Investments Corporation, indirectly owns 320,633,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS

(a) Interest in the Company

As at 31 December 2008, the following persons (other than the directors or chief executives of the Company) had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Accolade Inc.	Trustee	320,633,822	69.66%
Mr. Lawrence Y. L. Ho	Corporate	24,986,000*	5.42%

* *Mr. Lawrence Y. L. Ho owned 24,986,000 ordinary shares in the Company through Grand Villa Assets Limited of which he has 100% control.*

(b) Interest in a member of the Group

Name of the member of the Group	Shareholding interest of the Group	Other substantial shareholder and his/her shareholding interest
Capetronic Group Ltd	85%	Starcom Pacific Trading Limited, 15%

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at the balance sheet date, none of the directors knew of any person (other than the directors or chief executive of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Mr. Christopher W. Ho	58	Chairman	18	Manufacturing, international trading and corporate finance
Mr. Adrian C. C. Ma	64	Group Managing Director and Chief Executive Officer	25	Consumer electronics industry
Mrs. Christine L. S. Asprey	60	Group Executive Director	11	International marketing, market research and industrial affairs
Mr. Paul K. F. Law	52	Group Executive Director	17	Consumer electronics industry
Non-executive Director				
Mr. Michael A. B. Binney	49	Non-executive Director	19	Finance, accounting and corporate restructuring
Independent Non-executive Directors				
Mr. Herbert H. K. Tsoi	58	Non-executive Director	11	Solicitor
Mr. Martin I. Wright	47	Non-executive Director	5	Finance and accounting
Mr. Henry C. S. Chong	58	Non-executive Director	–	Import and export trading

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)

Directors with other directorships held in the last three years, as up to the date of this report, in public companies the securities of which are listed on any securities market in Hong Kong or overseas are set out below:

(i) Mr. Christopher W. Ho has been a director of (a) Emerson Radio Corp. ("Emerson"), a company listed on the NYSE Alternext US; (b) Lafe Corporation Limited ("Lafe"), a company listed on the Singapore Stock Exchange; and (c) Sansui Electric Co., Ltd. ("SEC"), a company listed on the First Section of the Tokyo Stock Exchange.

(ii) Mr. Adrian C. C. Ma has been a director of (a) Emerson; (b) Lafe; (c) Ross Group Plc ("Ross"), a company listed on the London Stock Exchange; and (d) SEC.

(iii) Mr. Michael A. B. Binney has been a director of (a) Nakamichi Corporation Berhad (resigned on 31 December 2008), a company listed on the Kuala Lumpur Stock Exchange; (b) Emerson (resigned on 31 January 2009); (c) Ross; and (d) Lafe.

The Company received the annual confirmation of year 2008 from each independent non-executive director and considers that they are independent.

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF

Name	Age	Position held	Number of years of service	Business experience
Electronics Manufacturing Services Group				
Mr. H. C. Yeung	50	Deputy Managing Director	25	Consumer electronics industry
Branded Distribution Group				
Mr. Duncan T. K. Hon	48	Chief Executive Officer	2	Consumer electronics industry
Mr. Takeshi Nakamichi	59	Deputy Managing Director	37	Product research and development
Treasury and Corporate Finance				
Mrs. Eleanor Crosthwaite	55	Managing Director	23	Treasury
Mr. Tony W. M. Lam	44	Executive Director – Corporate finance and development	17	Banking and treasury
Legal				
Ms. Ruby Y. K. Lee	47	Group Legal Counsel	15	Solicitor

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had total assets of HK$4,064 million which were financed by total equity of HK$2,128 million including minority interests of HK$771 million and total liabilities of HK$1,936 million. The Group had a current ratio of approximately 1.02 as compared to that of approximately 1.17 at 31 December 2007.

As at 31 December 2008, the Group had HK$142 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings which were charged by banks at fixed and floating interest rates as detailed in note 30 to the financial statements. As at 31 December 2008, the Group had HK$412 million short-term bank borrowings.

The Group had inventories of approximately HK$314 million as at 31 December 2008 representing a decrease of HK$151 million as compared to the previous year.

At the balance sheet date, the Group's gearing ratio was 42% which is calculated based on the Group's net borrowings of HK$893 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK$2,128 million.

CHARGES ON GROUP ASSETS

At 31 December 2008, certain of the Group's assets with a total net book value of approximately HK$1,034 million have been pledged to banks to secure banking facilities granted to the Group. Details are set out in note 44 to the financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars, Renminbi, Japan Yen and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars, Renminbi or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Renminbi against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2008 was approximately 2,000. The Group remunerated its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in Sansui Electric Co., Ltd ("SEC") from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group has gained control over SEC's financial and operating policies, the investment in SEC has since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year.

CONTINGENT LIABILITIES

The liquidators of Akai Holdings Limited have brought an action against twenty defendants which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company. The details of the action and the contingent liabilities of the Group are set out in note 42 to the financial statements.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

On 22 April 2008, the Group entered into the framework lease agreement and the management services agreement with Lafe Corporation Limited (formerly known as Lafe Technology Limited) ("Lafe"). Lafe was a subsidiary of the Company before the distribution by way of dividend in specie of the shares of Lafe to the shareholders of the Company on 29 February 2008. Before the distribution, the members of the Group has been occupying various storeys and using various car parking spaces in the premises held by Lafe and the Group has been providing management services to Lafe and its subsidiaries. The entering into of these agreements would enable members of the Group to continue occupying and using the relevant premises and car parking spaces and to maintain the long-term relationship with Lafe. Mr. Christopher W. Ho, a director of the Company, has beneficial interest in approximately 53% of the issued share capital of Lafe and therefore Lafe is a connected person of the Company under the Listing Rules. The transactions constituted continuing connected transactions of the Company.

Significant related party transactions entered by the Group during the year ended 31 December 2008, which constituted connected transactions under the Listing Rules are disclosed in note 6 to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The directors have received the auditors' confirmation as required under Rule 14A.38 of Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the financial statements of the Group for the year ended 31 December 2008.

The Audit Committee comprises three independent non-executive directors, namely Mr. Herbert H. K. Tsoi, Mr. Martin I. Wright and Mr. Henry C. S. Chong.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 10 to 18 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were the auditors of the Company from 2000 to 2006 and resigned in 2006. Messrs. Moore Stephens were appointed as auditors of the Company in 2006. The auditors, Messrs. Moore Stephens, retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Christopher W. Ho
Chairman

Hong Kong
25 April 2009

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CERTIFIED PUBLIC ACCOUNTANTS

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馬施雲
會計師事務所

Independent Auditors' Report
to the Shareholders of
The Grande Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of The Grande Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 88 which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of recognised income and expenses and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 auditors' 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 auditors consider 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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens
Certified Public Accountants

Hong Kong
25 April 2009

CONSOLIDATED INCOME STATEMENT

year ended 31 December 2008

	Notes	**2008 HK$ million**	2007 HK$ million
CONTINUING OPERATIONS –			
TURNOVER	7	**2,432**	7,187
Cost of sales		**(2,080)**	(6,676)
Gross profit		**352**	511
Other income		**204**	178
Gain/(loss) on complete and partial disposals of subsidiaries		**29**	(152)
Reversal of losses on disposal of subsidiaries		**123**	–
Distribution costs		**(92)**	(209)
Administrative expenses		**(403)**	(552)
Impairment loss recognised in respect of goodwill		**(194)**	(109)
Other operating expenses		**(270)**	(599)
Finance costs	8, 41(a)	**(44)**	(66)
Share of loss of associates	16(c)	**(3)**	(4)
LOSS BEFORE TAX		**(298)**	(1,002)
Tax	10	**(3)**	(19)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(301)**	(1,021)
DISCONTINUED OPERATIONS –			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	41(a)	**–**	371
LOSS FOR THE YEAR	8	**(301)**	(650)
ATTRIBUTABLE TO :			
Shareholders of the Company		**(240)**	(595)
Minority interests		**(61)**	(55)
		(301)	(650)
DIVIDENDS	11	**768**	120
		HK$	HK$
LOSS PER SHARE	12		
From continuing and discontinued operations – Basic		**(0.52)**	(1.29)
Diluted		**N/A**	(1.20)
From continuing operations – Basic		**(0.52)**	(2.10)
Diluted		**N/A**	(1.96)

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	**2008 HK$ million**	2007 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	13	**321**	356
Prepaid lease payments	14	**–**	10
Investment properties	15	**42**	44
Interests in associates	16	**–**	–
Available-for-sale investments	17	**56**	166
Deferred tax assets	18	**49**	58
Brands and trademarks	19	**1,774**	1,785
Other assets	20	**11**	7
Goodwill	21	**585**	660
		2,838	3,086
CURRENT ASSETS			
Inventories	23	**314**	465
Accounts, bills and other receivables	24	**176**	538
Amounts due from associates	6(a), 25	**2**	349
Prepayments, deposits and other assets	25	**452**	143
Tax recoverable		**7**	40
Deferred tax assets	18	**36**	40
Short-term investments	26	**96**	138
Derivative financial instruments	27	**1**	2
Pledged deposits with banks		**10**	101
Cash and bank balances		**132**	701
Assets of a disposal group held for distribution	41(b)	**–**	1,606
		1,226	4,123
CURRENT LIABILITIES			
Accounts and bills payable	28	**145**	716
Amounts due to associates	6(a)	**3**	4
Accrued liabilities and other payables	29	**255**	439
Tax liabilities		**7**	11
Trust receipt loans		**78**	154
Current portion of secured bank loans	30, 44	**303**	327
Current portion of unsecured bank loans	30	**31**	15
Obligations under finance leases	31, 44	**19**	15
Derivative financial instruments	27	**188**	213
Convertible debenture	32	**–**	198
Exchangeable bonds issued by a subsidiary	33, 44	**171**	–
Unsecured bank overdrafts		**–**	540
Liabilities of a disposal group held for distribution	41(b)	**–**	898
		1,200	3,530
NET CURRENT ASSETS		**26**	593
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,864**	3,679

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	**2008 HK$ million**	2007 HK$ million
NON-CURRENT LIABILITIES			
Non-current portion of secured bank loans	30, 44	**54**	58
Non-current portion of unsecured bank loans	30	**–**	32
Obligations under finance leases	31, 44	**12**	25
Exchangeable bonds issued by a subsidiary	33, 44	**–**	217
Debenture	34	**214**	–
Derivative financial instruments	27	**78**	64
Provision for retirement and long service	35	**2**	8
Accrued liabilities and other payables	36	**376**	28
		736	432
NET ASSETS		**2,128**	3,247
CAPITAL AND RESERVES			
Share capital	37	**46**	46
Share premium	38	**1,173**	1,173
Reserves	39	**138**	1,169
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**1,357**	2,388
MINORITY INTERESTS	39	**771**	859
TOTAL EQUITY		**2,128**	3,247

Christopher W. Ho
Chairman

Adrian C. C. Ma
Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

year ended 31 December 2008

	2008 HK$ million	2007 HK$ million
Diluted loss on disposal of subsidiaries	–	(18)
Surplus on revaluation of other properties	–	24
Net exchange differences on translation of the financial statements of overseas subsidiaries	(43)	31
Net (deficit)/income recognised directly in equity	(43)	37
Loss for the year	(301)	(638)
Total recognised expense for the year	(344)	(601)
Attributable to:		
Shareholders of the Company	(255)	(566)
Minority interests	(89)	(35)
	(344)	(601)

CONSOLIDATED CASH FLOW STATEMENT

year ended 31 December 2008

	2008 HK$ million	2007 HK$ million
OPERATING ACTIVITIES		
(Loss)/profit before tax:		
Continuing operations	**(298)**	(1,002)
Discontinued operations	**–**	383
	(298)	(619)
Adjustments for:		
Interest income	**(16)**	(30)
Interest expenses	**44**	72
Share of loss of associates	**3**	4
Depreciation	**66**	76
Change in fair value of exchangeable bonds and convertible debenture	**77**	(4)
Loss on financial derivatives	**149**	60
Change in fair value of short-term investments	**13**	(48)
Net increase in fair value of investment properties	**–**	(398)
Discount on increased investment in subsidiaries	**–**	(12)
Amortisation of other assets	**1**	22
Amortisation of prepaid lease payments	**–**	5
Allowance for doubtful debts	**8**	384
Impairment loss recognised in respect of goodwill	**194**	109
Impairment loss recognised in respect of interest in a subsidiary	**–**	42
Impairment loss recognised in respect of interests in associates	**–**	7
Impairment loss recognised in respect of available-for-sale investments	**14**	2
Impairment loss recognised in respect of property, plant and equipment	**–**	2
Impairment loss recognised in respect of deferred development costs	**–**	47
Reversal of losses on disposal of subsidiaries	**(123)**	–
(Gain)/loss on disposal of property, plant and equipment	**(55)**	4
(Gain)/loss on complete and partial disposals of subsidiaries	**(29)**	186
Gain on disposal of available-for-sale investments	**–**	(2)
Operating cash flows before movements in working capital	**48**	(91)
Decrease/(increase) in accounts, bills and other receivables	**319**	(29)
Decrease in inventories	**152**	339
Decrease in short-term investments	**93**	10
Decrease in prepayments, deposits and other assets	**56**	22
Increase in amounts due from associates	**(2)**	(127)
(Decrease)/increase in amounts due to associates	**(1)**	65
Decrease in accounts and bills payable	**(395)**	(145)
Increase/(decrease) in accrued liabilities and other payables	**143**	(63)
Cash generated from/(used in) operations	**413**	(19)
Interest paid	**(34)**	(73)
Hong Kong profits tax paid	**(1)**	(5)
Overseas profits tax refunded/(paid)	**2**	(30)
Net cash generated from/(used in) operating activities	**380**	(127)

CONSOLIDATED CASH FLOW STATEMENT

year ended 31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**380**	(127)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(67)**	(126)
Purchase of additional interests in subsidiaries	40(a)	**–**	371
Payments for other assets		**(5)**	(3)
Purchase of investment properties		**–**	(46)
Purchase of available-for-sale investments		**(117)**	–
Decrease/(increase) in pledged deposits with banks		**91**	(68)
Decrease in other non-current receivables		**–**	78
Interest received		**16**	31
Net (payment to)/received from financial derivatives		**(214)**	139
Proceeds from disposal of property, plant and equipment		**35**	27
Proceeds from disposal of available-for-sale investments		**48**	47
Proceeds from disposal of investment properties		**5**	4
Disposal group held for distribution	41(b)	**–**	(85)
Complete and partial disposals of subsidiaries	40(b)	**41**	256
Net cash (used in)/generated from investing activities		**(167)**	625
FINANCING ACTIVITIES			
Dividend paid to minority interests		**–**	(19)
Dividends paid		**(60)**	(120)
Net (decrease)/increase in capital element of finance lease		**(9)**	38
Redemption of exchangeable bonds		**(22)**	(96)
New secured bank loans		**108**	775
Repayment of secured bank loans		**(166)**	(408)
Repayment of unsecured bank loans		**(16)**	(150)
Decrease in trust receipt loans		**(76)**	(415)
Net cash used in financing activities		**(241)**	(395)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(28)**	103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**161**	54
Effect of foreign exchange rate changes, net		**(1)**	4
CASH AND CASH EQUIVALENTS AT END OF YEAR		**132**	161
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**132**	701
Unsecured bank overdrafts		**–**	(540)
		132	161

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company's immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is Airwave Capital Limited, a company incorporated in the British Virgin Islands.

During the year, the Company acted as an investment holding company. The principal activities of the principal subsidiaries and associates are set out in notes 47 and 16, respectively.

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 5 of the annual report.

2 APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new HKFRSs below does not result in substantial changes to the Group's accounting policies and has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	Service concession arrangements
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2008, and is in the process of assessing their impact on future accounting periods.

HKAS 1 (Revised)	(i)	Presentation of financial statements
HKAS 23 (Revised)	(i)	Borrowing costs
HKAS 27 (Revised)	(ii)	Consolidated and separate financial statements
HKAS 32 & HKAS 1 (Amendments)	(i)	Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	(ii)	Financial instruments: Recognition and measurement – Eligible hedged items
HKFRS 1 & HKAS 27 (Amendments)	(i)	Consolidated and separate financial statements: Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	(i)	Share-based payment: vesting conditions and cancellations
HKFRS 3 (Revised)	(ii)	Business combinations
HKFRS 7 (Revised)	(i)	Financial instruments: Improving disclosures about financial instruments
HKFRS 8	(i)	Operating segments

2 APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	(iii)	Embedded derivatives
HK(IFRIC) – Int 13	(iv)	Customer loyalty programmes
HK(IFRIC) – Int 15	(i)	Agreements for the construction of real estate
HK(IFRIC) – Int 16	(v)	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 17	(ii)	Distributions of non-cash assets to owners
HK(IFRIC) – Int 18	(vi)	Transfers of assets from customers

Apart from the above, the HKICPA has issued Improvements to HKFRSs during the year, which set out amendments to a number of HKASs. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

(i) Effective for annual periods beginning on or after 1 January 2009.
(ii) Effective for annual periods beginning on or after 1 July 2009.
(iii) Effective for annual periods ending on or after 30 June 2009.
(iv) Effective for annual periods beginning on or after 1 July 2008.
(v) Effective for annual periods beginning on or after 1 October 2008.
(vi) Effective for transfers of assets from customers received on or after 1 July 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Judgement made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 December 2008. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their respective dates of acquisition or disposal, respectively. All intercompany transactions and balances within the Group are eliminated on consolidation.

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

Revenue recognition

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

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

– on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

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

– income from sale of short-term investments is recognised on a trade-date basis and the execution of a binding contract; and

– licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries and associates recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discount on acquisition

A discount on acquisition arising on an acquisition of a subsidiary or an associate represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in the income statement. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

Segment reporting

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

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

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

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, except for freehold land which is stated at cost less impairment loss and is not depreciated.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life as set out below:

Freehold buildings outside Hong Kong	5 to 50 years
Medium term leasehold buildings in Hong Kong	20 to 40 years
Medium term leasehold buildings outside Hong Kong	Over the lease terms
Plant, equipment and other assets	2 to 15 years
Moulds	2 to 5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Upon the disposal of properties which have been revalued, the relevant portion of the revaluation reserve attributable to the properties realised is transferred directly to retained profits as a reserve movement.

An item of property, plant and equipment is derecognised upon disposal or when 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 income statement in the year in which the item is derecognised.

Land use rights

Land use rights represented the prepaid lease payments of leasehold interests in land under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

Investment properties

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

Leased assets

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments in equity securities are classified as either short-term investments or as available-for-sale investments, and are measured at subsequent reporting dates at fair value. For investments in equity available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss.

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 receivables, bills receivable, other receivables, deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

– Financial liability at fair value through profit or loss ("FVTPL"):

  Financial liability is designated as at FVTPL upon initial recognition if:

  (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

– Other financial liabilities:

Other financial liabilities including bank borrowings, other borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

– Equity instruments:

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through income statement. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Brands and trademarks

The brands and trademarks with indefinite lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment.

Gains or losses arising from derecognition of brands and trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and deferred development costs

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

– Tangible assets:

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however, the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) 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 accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

– Intangible assets:

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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, in which case the impairment loss is treated as revaluation decrease.

When 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.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 its 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 retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation 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.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the Group and reported using the historical exchange rate prevailing at the date of the acquisition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Provision for retirement and long service

The provision for retirement and long service are provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment. The amounts credited in the income statement represent the reversal of previous provisions no longer necessary.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which they are incurred.

Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax

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 income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group as the parent 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 the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less advances from banks repayable within three months from the date of the advance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations (continued)

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

(ii) the party is an associate;

(iii) the party is a member of the key management personnel of the Group;

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates that have most significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

(a) Impairment review of investment in associates:

The Group applies the requirements of HKAS 36 to determine whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in associates. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the market values of investments in listed associates is less than their respective carrying amounts; and the financial health of and near-term business outlook for the investees, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Impairment of property, plant and equipment, interests in leasehold land held for own use under operating leases:

If the circumstances indicate that the carrying values of property, plant and equipment, interests in leasehold land held for own use under operating leases may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and amount of operating costs. However, actual sales volume, selling price and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

(c) Depreciation of property, plant and equipment:

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Impairment loss for bad and doubtful debts:

The Group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs could be higher than estimated.

(e) Write down of inventories:

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgement. Based on this review, write down of inventories will be made when the carrying amount of inventories declines below the estimated net realisable value. However, actual sales may be different from estimation and profit or loss could be affected by differences in this estimation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(f) Estimated impairment of goodwill, brands and trademarks:

Determining whether goodwill, brands and trademarks are impaired requires an estimation of the value in use of the cash-generating units to which goodwill, brands and trademarks have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. 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 goodwill, brands and trademarks are HK$585 million and HK$1,774 million, respectively. Particulars of the impairment test are disclosed in note 22.

(g) Income taxes:

As at 31 December 2008, a deferred tax asset of HK$85 million in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's balance sheet. The releasability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables, trade payables, debenture and exchangeable bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency risk:

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, forward foreign exchange contracts (note 27) are entered into in respect of highly probable foreign currency forecast sales and purchases in accordance with the Group's risk management policies.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Sensitivity analysis:

The Group's exposure to foreign currency risk, which is not covered by forward foreign exchange contracts, arises mainly from its subsidiaries in the People's Republic of China whose net financial assets or net financial liabilities are denominated in Renminbi. A 5% strengthening of the HK dollar against Renminbi would decrease the net profit by approximately HK$6 million while a 5% weakening would have an equal but opposite effect for both the financial years ended 31 December 2008 and 2007.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Fair value interest rate risk:

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings (note 30). In relation to these fixed-rate borrowing, the Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group entered into interest rate swaps (note 27) to hedge against its exposures to changes in fair values of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

(d) Credit risk:

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the 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 Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

(e) Price risk:

The Group's available-for-sale investments and short-term investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management reviews the market situation and consults to the professionals to monitor the exposure periodically.

(f) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's cash and short term deposits, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

(g) Fair value:

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(h) Capital risk:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain new borrowings.

Management monitors capital with reference to gearing ratio. The Group strategies, which were unchanged from previous year, are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage.

The gearing ratio is calculated based on the Group's net borrowings (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity.

	2008 HK$ million	2007 HK$ million
Net borrowings	**893**	562
Total equity	**2,128**	3,247
Gearing ratio	**42%**	17%

There are no externally imposed capital requirements for current and prior years.

(i) Interest rate risk:

At 31 December 2008, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would increase or decrease the Group's loss after tax by approximately HK$7 million (2007: HK$4 million) and HK$7 million (2007: HK$4 million), respectively.

6. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of material transactions between the Group and other related parties are disclosed below:

	2008 HK$ million	2007 HK$ million
Associates:		
Purchases of materials	**–**	26
Rental expenses	**7**	17
Trade and other receivables	**2**	349
Trade and other payables	**(3)**	(4)

Rentals were negotiated by the associates with reference to the market rates. The amounts outstanding are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these amounts due from/(to) associates approximate their fair values.

	2008 HK$ million	2007 HK$ million
Related companies:		
Services fee income	**6**	–
Rental expenses	**3**	–
Interest expenses	**7**	–
Other payables	**(332)**	(76)

Included in the other payables was an amount of HK$324 million (2007: Nil) which is unsecured, bearing interest at the Hong Kong dollar prime rates and repayable on demand except for an amount of HK$270 million which is subject to repayment only after 2009. The remaining balance is unsecured, non-interest bearing and repayable on demand. The carrying amounts due to related companies approximate their fair values.

(b) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2008 HK$ million	2007 HK$ million
Short-term employee benefits	**9**	13

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

(c) Guarantee

The Chairman provided a personal guarantee amounting to HK$60 million (2007: HK$60 million) to the Company for a banking facility.

7. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts, sub-contracting service income, licensing income and realised gain on trading investments, but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity for the year is as follows:

	2008 HK$ million	2007 HK$ million
By principal activity:		
Branded distribution	**1,798**	4,326
Electronics manufacturing services	**634**	2,861
Attributable to continuing operations	**2,432**	7,187
Attributable to discontinued operations	**–**	618
	2,432	7,805

8. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2008 HK$ million	2007 HK$ million
Depreciation of property, plant and equipment:		
Owned assets	**54**	76
Leased assets	**12**	–
	66	76
Operating lease rentals:		
Land and buildings	**11**	24
Property, plant and equipment	**5**	4
	16	28
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	**32**	65
Interest on bank loans wholly repayable beyond five years	**2**	7
Finance leases	**2**	–
Debenture	**1**	–
Interest on amount due to related companies	**7**	–
	44	72
Auditors' remuneration:		
Current year	**9**	12
(Over)/under-provision in prior year	**(1)**	1
	8	13

8. LOSS FOR THE YEAR (continued)

The Group's loss for the year is arrived at after charging/(crediting):

	2008 HK$ million	2007 HK$ million
Staff costs:		
Salaries and other benefits	**219**	286
Retirement benefit costs	**4**	3
	223	289
Cost of inventories recognised as expenses	**1,886**	6,820
Amortisation of other assets included in other operating expenses	**1**	22
Amortisation of prepaid lease payments	**–**	5
Allowance for doubtful debts	**8**	384
Research and development expenditure	**1**	4
(Gain)/loss on disposal of property, plant and equipment	**(55)**	4
Impairment loss recognised in respect of interest in a subsidiary	**–**	42
Impairment loss recognised in respect of interests in associates	**–**	7
Impairment loss recognised in respect of available-for-sale investments	**14**	2
Impairment loss recognised in respect of property, plant and equipment	**–**	2
Impairment loss recognised in respect of deferred development costs	**–**	47
Change in fair value of short-term investments	**13**	(48)
Change in fair value of exchangeable bonds and convertible debenture	**77**	(4)
Loss on financial derivatives	**149**	60
Net foreign exchange gain	**(18)**	(21)
Gain on disposal of available-for-sale investments	**–**	(2)
Net increase in fair value of investment properties	**–**	(398)
Discount on increased investment in subsidiaries	**–**	(12)
Interest income	**(16)**	(30)

9. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Total emoluments HK$ million
2008				
Mr. Christopher W. Ho	**0.5**	**0.3**	**–**	**0.8**
Mr. Adrian C. C. Ma	**–**	**1.9**	**–**	**1.9**
Mrs. Christine L. S. Asprey	**–**	**0.6**	**–**	**0.6**
Mr. Michael A. B. Binney	**–**	**0.2**	**–**	**0.2**
Mr. C. F. Lam (resigned on 31 December 2008)	**–**	**0.4**	**–**	**0.4**
Mr. Paul K. F. Law	**–**	**1.1**	**–**	**1.1**
Mr. Herbert H. K. Tsoi	**0.3**	**–**	**–**	**0.3**
Mr. Martin I. Wright	**0.2**	**–**	**–**	**0.2**
	1.0	**4.5**	**–**	**5.5**
2007				
Mr. Christopher W. Ho	0.5	1.6	–	2.1
Mr. Adrian C. C. Ma	–	1.9	–	1.9
Mrs. Christine L. S. Asprey	–	0.6	–	0.6
Mr. Michael A. B. Binney	–	1.3	–	1.3
Mr. C. F. Lam	–	2.1	–	2.1
Mr. Paul K. F. Law	–	1.1	–	1.1
Mr. Johnny W. H. Lau	0.2	–	–	0.2
Mr. Herbert H. K. Tsoi	0.3	–	–	0.3
Mr. Martin I. Wright	0.2	–	–	0.2
	1.2	8.6	–	9.8

Mr. Johnny W. H. Lau waived the directors' emoluments of HK$0.2 million for the year ended 31 December 2008.

The remuneration package of the directors are reviewed and approved by the Remuneration Committee. Details please see Corporate Governance Report on page 10.

9. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

Employee Costs

During the year, the five highest paid individuals included two (2007: three) directors, detail of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2008 HK$ million	2007 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**3**	3
Bonuses paid and payable	**–**	–
	3	3

The number of non-directors whose remuneration fell within the bands set out below is as follows:

HK$	**2008 Number of non-directors**	2007 Number of non-directors
1,000,001 – 1,500,000	**1**	–
1,500,001 – 2,000,000	**1**	2
3,500,001 – 4,000,000	**1**	–

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Company. In addition, staff are entitled to receive a discretionary bonus which is decided by the Company at its absolute discretion having regard to his/her performance.

10. TAX

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

	2008 HK$ million	2007 HK$ million
The tax charge/(credit) comprises:		
Current year provision		
Hong Kong	**–**	1
Overseas	**47**	(11)
(Over)/under provision in prior year		
Hong Kong	**–**	(1)
Overseas	**(45)**	43
Deferred tax *(note 18)*		
Hong Kong	**1**	3
Overseas	**–**	(16)
	3	19

Reconciliation between tax charge and (loss)/profit before tax at applicable tax rates is as follows:

	2008 HK$ million	2007 HK$ million
(Loss)/profit before tax:		
Continuing operations	**(298)**	(1,002)
Discontinued operations	**–**	383
	(298)	(619)
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	**(49)**	(108)
Effect of different tax rates in overseas jurisdictions	**(24)**	(7)
Income and expenses not subject to tax	**98**	71
Unused tax losses not recognised	**31**	34
Utilisation of unrecognised tax losses	**(9)**	(3)
(Over)/under provision in prior year	**(45)**	42
Others	**1**	(10)
	3	19

11. DIVIDENDS

	2008 HK$ million	2007 HK$ million
Interim dividend of HK5 cents (2007: HK12 cents) per share on 460.2 million shares	**23**	55
2007 final dividend of HK8 cents (2006: HK14 cents) per share on 460.2 million shares	**37**	65
2007 second interim dividend satisfied by way of a distribution in specie of seven ordinary shares of Lafe Corporation Limited ("Lafe shares") for every five ordinary shares of the Company (the fair value on distribution date of Lafe shares was HK$ 1.10 each which equates to a dividend of HK$1.54 per share on 460.2 million shares)	**708**	–
	768	120

The directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

12. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2008 HK$ million	2007 HK$ million
(Loss)/earnings:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation:		
From continuing operations	**(240)**	(966)
From discontinued operations	**–**	371
	(240)	(595)
Effect of dilutive potential ordinary shares:		
Interest on Convertible Debenture	**–**	9
Loss attributable to shareholders of the Company before interest on Convertible Debenture	**(240)**	(586)
Attributable to:		
Continuing operations	**(240)**	(957)
Discontinued operations	**–**	371
	(240)	(586)

12. LOSS PER SHARE (continued)

	2008 Number of ordinary shares million	2007 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**460.2**	460.2
Effect of dilutive potential ordinary shares: Convertible Debenture	**–**	28.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**460.2**	488.5

Discontinued operations:
Basic earnings per share for the discontinued operations is HK$Nil (2007: HK$0.81) per share and the diluted earnings per share for the discontinued operations is HK$Nil (2007: HK$0.76) per share, based on the earnings from the discontinued operations and the weighted average numbers of ordinary shares presented above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$ million	**Plant, equipment and other assets** HK$ million	**Moulds** HK$ million	**Total** HK$ million
Cost or valuation:				
At 1 January 2007	327	944	131	1,402
Foreign currency adjustment	5	24	–	29
Additions	–	119	7	126
Surplus on revaluation	24	–	–	24
Acquisition of subsidiaries	55	–	–	55
Transferred to investment properties	(49)	–	–	(49)
Transfer	–	(25)	25	–
Impairment	–	–	(2)	(2)
Disposal of subsidiaries	(103)	(168)	(2)	(273)
Disposal group held for distribution *(note 41 (b))*	(127)	(263)	(65)	(455)
Disposals	(8)	(46)	(2)	(56)
At 31 December 2007 and 1 January 2008	124	585	92	801

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$ million	Plant, equipment and other assets HK$ million	Moulds HK$ million	Total HK$ million
Cost or valuation: (continued)				
Foreign currency adjustment	10	13	(2)	21
Additions	–	66	1	67
Acquisition of subsidiaries	–	1	2	3
Transfer	–	(18)	18	–
Disposal of subsidiaries	–	(81)	–	(81)
Disposals	(18)	(69)	(82)	(169)
At 31 December 2008	116	497	29	642
Accumulated depreciation and impairment:				
At 1 January 2007	58	703	129	890
Foreign currency adjustment	(2)	5	–	3
Provided during the year	7	54	15	76
Transfer	–	(4)	4	–
Transferred to investment properties	(14)	–	–	(14)
Disposal of subsidiaries	(11)	(123)	(2)	(136)
Disposal group held for distribution *(note 41 (b))*	(30)	(254)	(65)	(349)
Disposals	–	(23)	(2)	(25)
At 31 December 2007 and 1 January 2008	8	358	79	445
Foreign currency adjustment	–	(3)	–	(3)
Provided during the year	2	61	3	66
Transfer	–	(15)	15	–
Disposal of subsidiaries	–	(78)	–	(78)
Disposals	(5)	(33)	(71)	(109)
At 31 December 2008	5	290	26	321
Carrying values:				
At 31 December 2008	111	207	3	321
At 31 December 2007	116	227	13	356

The net book value of plant and machinery held under finance leases at 31 December 2008 amounted to HK$37 million (2007: HK$108 million).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Buildings comprise:

	2008 **HK$** **million**	2007 HK$ million
Freehold buildings outside Hong Kong:		
At cost	**73**	60
Medium-term leasehold buildings in Hong Kong:		
At 1993 professional valuation	**–**	22
Medium-term leasehold buildings outside Hong Kong:		
At cost	**43**	42
Total cost or valuation	**116**	124

Certain of the above properties and plant and machinery held by the Group were pledged to secure banking and finance lease facilities (note 44).

14. PREPAID LEASE PAYMENTS

	2008 **HK$** **million**	2007 HK$ million
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Hong Kong	**–**	10

15. INVESTMENT PROPERTIES

	2008 HK$ million	2007 HK$ million
At fair value		
At beginning of year	**44**	404
Foreign currency adjustment	**3**	25
Transferred from property, plant and equipment and prepaid lease payments	**–**	39
Net increase in fair value recognised in income statement	**–**	398
Additions	**–**	46
Disposals	**(5)**	(4)
Disposal of subsidiaries	**–**	(77)
Disposal group held for distribution *(note 41 (b))*	**–**	(787)
At end of year	**42**	44

The carrying amount of investment properties comprises land as follows:

	2008 HK$ million	2007 HK$ million
Medium-term leasehold land outside Hong Kong	**41**	43
Medium-term leasehold land in Hong Kong	**1**	1
Carrying amount	**42**	44

The investment properties in Hong Kong were valued at HK$1 million as at 31 December 2008 by Vigers Hong Kong Limited, independent professional surveyors, by reference to market evidence of transaction prices for similar properties.

The investment properties in The People's Republic of China were valued at HK$41 million as at 31 December 2008 by Zhong Shan Zhi Xin Assets Appraisal Office, independent professional surveyors, on an open market, existing use basis as at 31 December 2008.

All the Group's investment properties are held for earning rental income or for capital appreciation purposes and are measured using the fair value model.

Certain investment properties have been pledged to secure general banking facilities granted to the Group (note 44).

16. INTERESTS IN ASSOCIATES

	2008 HK$ million	2007 HK$ million
Cost of investment less impairment	**3**	8
Share of post-acquisition losses and reserves	**(3)**	(8)
	–	–
Listed investments, at market value	**2**	12

Particulars of the Group's principal associates are as follows:

Name	Notes	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group 2008	2007	Principal activities
Ross Group Plc[+]		United Kingdom	**41%**	41%	Design and manufacture of engineering projects, and the sale and distribution of electronic products
ZS Kawa Electronics (Group) Co., Ltd. ("Kawa")	(a)	The People's Republic of China	**–**	50%	Property leasing
Crystal Forest Limited	(b)	British Virgin Islands	**22%**	–	Investment in timber concessions in Guyana

[+] *Listed on the London Stock Exchange.*

Notes:

(a) In May 2008, the Group disposed of its entire shareholding interests in Kawa to an independent third party for a consideration of HK$1,000. The carrying value of the Group's investment in Kawa at the time of disposal was nil.

(b) Goodwill on acquisition of HK$69 million was impaired during the year in consequence of the Guyana Government's decision to put on hold the granting of any further permission for developing the timber concessions within the territory.

(c) The summarised financial information in respect of the Group's associates is set out below:

	2008 HK$ million	2007 HK$ million
Total assets	**7**	394
Total liabilities	**(79)**	(505)
Net liabilities	**(72)**	(111)
Group's share of net assets of associates	**–**	–
Revenue	**3**	27
Loss for the year	**(17)**	(51)
Group's share of results of associates for the year	**(3)**	(4)

17. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$ million	2007 HK$ million
Listed investments, at market value		
Hong Kong	**–**	1
Unlisted investments		
Credit Linked Note	**–**	14
Others, at cost less impairment	**56**	151
	56	165
	56	166

18. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised:

The major components of deferred tax assets/(liabilities) recognised in the balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation HK$ million	**Tax losses** HK$ million	**Others** HK$ million	**Total** HK$ million
At 1 January 2007	(6)	85	(6)	73
Arising from purchase of additional interests in subsidiaries *(note 40(a))*	–	–	6	6
Arising from disposal of subsidiaries *(note 40(b))*	5	–	–	5
Disposal group held for distribution *(note 41(b))*	1	–	–	1
Credited to income statement *(note 10)*	–	13	–	13
At 31 December 2007 and 1 January 2008	–	98	–	98
Arising from disposal of subsidiaries *(note 40(b))*	1	(12)	–	(11)
Foreign currency adjustment	–	(1)	–	(1)
Credited/(debited) to income statement *(note 10)*	6	(7)	–	(1)
At 31 December 2008	7	78	–	85

18. DEFERRED TAX (continued)

(a) Deferred tax assets and liabilities recognised: (continued)

	2008 HK$ million	2007 HK$ million
Portion classified as current assets	**36**	40
Portion classified as non-current assets	**49**	58
	85	98

(b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	2008 HK$ million	2007 HK$ million
Tax losses carried forward	**9,988**	7,365
Accelerated depreciation allowances	**530**	232
	10,518	7,597

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

19. BRANDS AND TRADEMARKS

	2008 HK$ million	2007 HK$ million
Gross amount		
At 1 January	**2,013**	2,008
Foreign currency adjustment	**(11)**	5
At 31 December	**2,002**	2,013
Accumulated amortisation at 31 December	**(228)**	(228)
Carrying amount at 31 December	**1,774**	1,785

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses.

On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives. As a result, the brands and trademarks are not subject to amortisation from 1 January 2005 onwards, but are tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 22.

20. OTHER ASSETS

	2008 HK$ million	2007 HK$ million
Deferred development costs:		
At beginning of year	**69**	174
Additions	**–**	3
Written off	**(58)**	(108)
At end of year	**11**	69
Accumulated amortisation and impairment:		
At beginning of year	**62**	101
Provided for the year	**1**	22
Written off	**(58)**	(61)
At end of year	**5**	62
Carrying amount of deferred development costs at end of year	**6**	7
Security deposits	**5**	–
Total other assets at end of year	**11**	7

The deferred development costs have definite useful lives and amortised on a straight-line basis over 3 to 5 years.

21. GOODWILL

	2008 HK$ million	2007 HK$ million
At beginning of year	**660**	179
Addition	**80**	790
Impairment	**(125)**	(109)
Disposal group held for distribution *(note 41(b))*	**–**	(59)
Complete or partial disposals of subsidiaries	**(30)**	(141)
Carrying amount at end of year	**585**	660

Included in the goodwill at 31 December 2008 was an amount of HK$571 million (2007: HK$616 million) attributable to the cash generating unit comprising the Group's interest in SEC, Sansui's global licensing and distribution operations and the Sansui trademarks. These assets and operations form an integrated operating unit of the Group since the revenues and profits generated from them are heavily dependent upon each other.

22. IMPAIRMENT TESTING ON GOODWILL, BRANDS AND TRADEMARKS

Goodwill, brands and trademarks are allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	Goodwill		Brands and trademarks	
	2008 HK$ million	2007 HK$ million	**2008 HK$ million**	2007 HK$ million
Branded distribution	**585**	660	**1,774**	1,785
Electronics manufacturing services	**–**	–	**–**	–
	585	660	**1,774**	1,785

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial projections approved by management. A five-year period financial budget is used for testing the impairment of goodwill. The brands and trademarks are considered by management as having indefinite useful lives. A ten-year financial budget based on management's approved long-term plans of product development and business expansion is used for testing the impairment of these brands and trademarks.

The discount rate used for value-in-use calculations is in a range of 10% to 11% (2007: 13% to 14%). Management determined the budgeted gross margin based on past performance and its expectation for market development.

23. INVENTORIES

	2008 HK$ million	2007 HK$ million
Raw materials	**65**	126
Work in progress	**1**	2
Finished goods	**339**	384
Less: Impairment provision for obsolete inventories	**(91)**	(47)
	314	465

Parts of the raw materials amounted to HK$38 million (2007: HK$93 million) and finished goods amounted to HK$272 million (2007: HK$258 million) were stated at net realisable values.

24. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	2008 HK$ million	2007 HK$ million
0 – 3 months	**161**	480
3 – 6 months	**2**	7
Over 6 months	**13**	51
	176	538

The carrying amount of accounts, bills and other receivables approximates their fair value.

25. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	2008 HK$ million	2007 HK$ million
Prepayments	**12**	29
Deposits	**4**	9
VAT receivables	**24**	53
Other receivables	**411**	35
Other assets	**1**	17
	452	143

Included in the other receivables at 31 December 2008 was an amount of HK$370 million reclassified from the amounts due from associates after the Group's disposal of its entire shareholding interests in Kawa (note 16(a)).

26. SHORT-TERM INVESTMENTS

	2008 HK$ million	2007 HK$ million
Listed investments in Hong Kong, at market value	**62**	–
Unlisted investments, at fair value	**34**	138
	96	138

The unlisted investments included HK$21 million (2007: HK$108 million) of fine wines held by the Group for investment purposes.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Held for trading or not qualifying as hedges:				
Derivatives instrument element of exchangeable bonds	**–**	**(118)**	–	(63)
Forward foreign exchange contracts	**1**	**–**	2	(87)
Interest rate swaps	**–**	**(148)**	–	(127)
	1	**(266)**	2	(277)
Less: Portion classified as current assets/(liabilities)	**1**	**(188)**	2	(213)
Portion classified as non-current liabilities	**–**	**(78)**	–	(64)

Interest rate swaps mature at various dates up to 22 August 2012 with variable interest rates.

28. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	2008 HK$ million	2007 HK$ million
0 – 3 months	**113**	648
3 – 6 months	**4**	11
Over 6 months	**28**	57
	145	716

The carrying amount of the Group's accounts and bills payable approximates their fair value.

29. ACCRUED LIABILITIES AND OTHER PAYABLES (CURRENT)

	2008 HK$ million	2007 HK$ million
Accrued expenses and provisions	**138**	158
Other payables	**46**	111
Deposits received	**9**	94
Amounts due to related companies	**62**	76
	255	439

Included in the amounts due to related companies was an amount of HK$54 million (2007: HK$ Nil) which is unsecured, bearing interest at the Hong Kong dollar prime rates and repayable on demand. The remaining balance is unsecured, non-interest bearing and repayable on demand.

30. BANK LOANS

	2008 HK$ million	2007 HK$ million
Secured bank loans wholly repayable:		
Within one year	**303**	327
In the second year	**38**	10
In the third to fifth years, inclusive	**15**	41
Beyond five years	**1**	7
	357	385
Portion classified as current liabilities	**(303)**	(327)
Portion classified as non-current liabilities	**54**	58
Unsecured bank loans wholly repayable:		
Within one year	**31**	15
In the second year	**–**	16
In the third to fifth years, inclusive	**–**	16
	31	47
Portion classified as current liabilities	**(31)**	(15)
Portion classified as non-current liabilities	**–**	32

The carrying amounts of the borrowings are denominated in the following currencies:

	2008 HK$ million	2007 HK$ million
Hong Kong Dollar	**31**	47
Renminbi Yuan	**253**	238
United States Dollar	**43**	87
Singapore Dollar	**27**	31
Japan Yen	**34**	29
	388	432

As at the balance sheet date, 26% (2007: 26%) of the Group's total borrowings were with interest rates fixed to maturity.

The ranges of effective interest rates on the Group's borrowings at the balance sheet date were as follows:

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	**3.17% to 8.22%**	3.17% to 7.29%
Variable-rate borrowings	**1.10% to 7.29%**	5.00% to 7.75%

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$ million	HK$ million	**HK$ million**	HK$ million
Amounts payable under finance leases:				
Within one year	**21**	17	**19**	15
In the second year	**12**	17	**12**	15
In the third to fifth years, inclusive	**–**	10	**–**	10
Less: future finance charges	**(2)**	(4)	**–**	–
Present value of lease obligations	**31**	40	**31**	40
Portion classified as current liabilities			**(19)**	(15)
Portion classified as non-current liabilities			**12**	25

32. CONVERTIBLE DEBENTURE

On 5 December 2005, the Company issued a principal amount of US$26 million (equivalent to HK$202 million) Convertible Debenture ("Convertible Debenture") at par value as part of the purchase consideration of a 37% equity interest in Emerson Radio Corp. The Debentureholder was entitled to require the Company to convert the whole or any part(s) of the principal amount outstanding under the Convertible Debenture into ordinary shares in the capital of the Company at any time between the date of issue of the Convertible Debenture and the settlement date on 5 December 2008 at a conversion price of HK$7.16 per ordinary share of the Company, provided that such part to be converted should not be less than Hong Kong dollar equivalent to US$5 million and should be in a multiple of US$1 million. If the Convertible Debenture had not been converted, it would be redeemed on 5 December 2008 at par, provided that the Company should have the right, at any time by a 30-day prior written notice to debentureholder, to early redeem the whole or part of the outstanding principal amount of this Convertible Debenture. No interest for the period from the issue date to the day prior to the first anniversary of the issue date and 3% per annum for the period from the first anniversary of the issue date on 5 December 2005 until the maturity date on 5 December 2008.

The Convertible Debenture was redeemed on 5 December 2008. There was no amount outstanding as at the balance sheet date.

33. EXCHANGEABLE BONDS ISSUED BY A SUBSIDIARY

On 22 February 2006, Hi-Tech Precision Products Ltd ("Hi-Tech"), a wholly-owned subsidiary of the Group, issued a principal amount of US$50 million (equivalent to HK$388 million) Zero Coupon Guaranteed Exchangeable Bonds ("Exchangeable Bonds") at par value to independent third parties. The holder of each Exchangeable Bond will have an exchange right to exchange such Exchangeable Bond for SEC shares at the exchange price of 40.36929 Yen per SEC share during the period beginning on and after 23 March 2006 and up to the earlier of (i) 8 February 2011 (but in no event thereafter), or (ii) if such Exchangeable Bonds shall have been called for redemption prior to 8 February 2011, then up to on the third business day immediately prior to the date fixed for redemption thereof. As at the balance sheet date, a principal amount of US$33 million Exchangeable Bonds remained outstanding. Assuming full exchange of the remaining Exchangeable Bonds at the exchange price, the Exchangeable Bonds will be exchangeable into 96,810,967 SEC shares, representing 7.10% of the common stocks of SEC (subject to adjustment).

34. DEBENTURE

On 10 December 2008, the Company issued a principal amount of US$27.6 million (equivalent to HK$214 million) Debenture ("Debenture") at par value to an independent third party. The Debenture shall be redeemed by the Company at its principal amount outstanding at maturity date on 5 December 2010. For the period from the first anniversary of the issue date of the Debenture until the maturity date, interest shall accrue on the principal amount outstanding under the Debenture at the rate of 12% per annum.

35. PROVISION FOR RETIREMENT AND LONG SERVICE

	2008 HK$ million	2007 HK$ million
At beginning of year	**9**	35
Additional provision	**–**	3
Disposal of subsidiaries	**(3)**	–
Transferred to liabilities of disposal group held for distribution	**–**	(23)
Utilisation/reversal of provision	**(4)**	(6)
At end of year	**2**	9
Analysis of provision:		
Current liabilities	**–**	1
Non-current liabilities	**2**	8
	2	9

36. ACCRUED LIABILITIES AND OTHER PAYABLES (NON-CURRENT)

Included in the non-current accrued liabilities and other payables was an amount of HK$270 million (2007: nil) due to a related company. The amount is unsecured, bearing interest at the Hong Kong dollar prime rates and is subject to repayment only after 2009.

37. SHARE CAPITAL

	2008 HK$ million	2007 HK$ million
Authorised: 1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid: 460,227,320 ordinary shares of HK$0.10 each	**46**	46

38. SHARE PREMIUM

	2008 HK$ million	2007 HK$ million
At 1 January 2007, 31 December 2007 and 31 December 2008	**1,173**	1,173

39. RESERVES AND MINORITY INTERESTS

	Contributed reserve HK$ million	Investment revaluation reserve HK$ million	Capital reserve HK$ million	Exchange fluctuation reserve HK$ million	Retained profits HK$ million	Total HK$ million	Minority interests HK$ million
At 1 January 2007	961	1	59	(154)	907	1,774	963
Derecognisation of revalued properties arising from disposal group held for distribution	–	–	(49)	–	49	–	–
Increased investment in subsidiaries	–	–	–	–	–	–	242
Complete and partial disposals of subsidiaries	–	–	–	89	–	89	60
Impairment loss recognised in respect of interests in a subsidiary	–	–	–	(1)	–	(1)	43
Disposal group held for distribution	–	–	–	(6)	–	(6)	(363)
Disposal of available-for-sale investments	–	(1)	–	–	–	(1)	–
Diluted loss on disposal of subsidiaries	–	–	–	–	(18)	(18)	–
Surplus on revaluation of other properties	–	–	24	–	–	24	–
Arising on consolidation of overseas subsidiaries	–	–	–	23	–	23	8
Loss for the year	–	–	–	–	(595)	(595)	(43)
Dividend paid	–	–	–	–	(120)	(120)	(51)
At 31 December 2007 and 1 January 2008	961	–	34	(49)	223	1,169	859
Derecognisation of revalued properties arising from disposal	–	–	(11)	–	11	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	1
Disposal of subsidiaries	–	–	–	(8)	–	(8)	–
Arising on consolidation of overseas subsidiaries	–	–	–	(15)	–	(15)	(28)
Loss for the year	–	–	–	–	(240)	(240)	(61)
Dividend paid	(768)	–	–	–	–	(768)	–
At 31 December 2008	193	–	23#	(72)	(6)	138	771

The balance of capital reserve represents property revaluation reserve.

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of additional interests in subsidiaries

	2008 HK$ million	2007 HK$ million
Net assets acquired:		
Property, plant and equipment	**3**	55
Available-for-sale investments	**–**	79
Deferred tax assets	**–**	6
Cash and bank balances	**2**	427
Inventories	**–**	3
Prepayments, deposits and other assets	**–**	1
Accrued liabilities and other payables	**–**	(6)
Tax liabilities	**–**	(1)
Bank loans	**(2)**	(27)
	3	537
Discount on increased investment in subsidiaries	**–**	(12)
Goodwill	**80**	790
	83	1,315
Represented by:		
Cash consideration paid	**2**	56
Interests in associates	**–**	706
Available-for-sale investments	**80**	–
Accounts and bills receivable	**–**	311
Minority interests	**1**	242
	83	1,315

The subsidiaries acquired during the year had no material effect on the operating loss and cashflow of the Group.

The analysis of net inflow of cash and cash equivalents in respect of the purchase of additional interests in subsidiaries is as follows:

	2008 HK$ million	2007 HK$ million
Cash consideration paid	**(2)**	(56)
Cash and bank balances of acquired subsidiaries	**2**	427
	–	371

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Complete and partial disposals of subsidiaries

Summary of the effects on complete and partial disposals of subsidiaries

	2008 HK$ million	2007 HK$ million
Net assets disposed of:		
Property, plant and equipment	**3**	137
Prepaid lease payments	**–**	7
Investment properties	**–**	77
Available-for-sale investments	**58**	–
Cash and bank balances	**10**	6
Accounts and bills receivable	**36**	55
Inventories	**2**	9
Prepayments, deposits and other assets	**22**	3
Tax recoverable	**29**	–
Accounts and bills payable	**(22)**	(49)
Accrued liabilities and other payables	**(14)**	(19)
Bank loans	**–**	(33)
Tax liabilities	**–**	(1)
Deferred tax assets/(liabilities)	**11**	(5)
	135	187
Gain/(loss) on complete and partial disposals of subsidiaries	**29**	(186)
	164	1
Represented by:		
Cash consideration received	**51**	262
Prepayments, deposits and other assets	**–**	11
Other receivables	**76**	–
Interests in associates	**59**	–
Retained earnings	**–**	18
Release of reserves	**8**	(89)
Release of goodwill	**(30)**	(141)
Minority interests	**–**	(60)
	164	1

The subsidiaries disposed of during the year had no material effect on the operating loss and cash flow of the Group.

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Complete and partial disposals of subsidiaries (continued)

The analysis of net inflow of cash and cash equivalents in respect of the complete and partial disposals of subsidiaries is as follows:

	2008 HK$ million	2007 HK$ million
Cash consideration received	**51**	262
Cash and bank balances of disposed subsidiaries	**(10)**	(6)
	41	256

(c) Major non-cash transactions

(i) 2007 second interim dividend of HK$708 million was dealt with by way of a distribution in specie of seven ordinary shares of Lafe Corporation Limited for every five ordinary shares of the Company.

(ii) Consideration of HK$80 million on disposal of property, plant and equipment during the year was satisfied by Hong Kong listed securities at market value.

(iii) Consideration on disposal of available-for-sale investments of HK$13 million during the year was satisfied by unlisted investment at fair value.

(iv) Consideration on disposal of a subsidiary of HK$59 million during the year was satisfied by unlisted investment at fair value.

(v) The Convertible Debenture of US$26 million was redeemed on the due date of 5 December 2008. New Debenture of US$27.6 million was issued on 10 December 2008.

41. DISCONTINUED OPERATIONS

(a) Profit of the disposal group held for distribution for the year:

	Note	2008 HK$ million	2007 HK$ million
Turnover		–	618
Cost of sales		–	(579)
Gross profit		–	39
Other income	(i)	–	434
Loss on disposal of subsidiaries		–	(34)
Distribution costs		–	(11)
Administrative costs		–	(32)
Other operating expenses		–	(7)
Finance costs		–	(6)
Profit before tax		–	383
Tax		–	–
Profit for the year		–	383
Attributable to:			
Shareholders of the Company		–	371
Minority interests		–	12
		–	383

Note: (i) Other income includes HK$398 million unrealised gain in respect of the increase in fair value of investment properties.

41. DISCONTINUED OPERATIONS (continued)

(b) The major classes of assets and liabilities of the disposal group held for distribution as at the balance sheet date:

	2008 HK$ million	2007 HK$ million
Assets:		
Property, plant and equipment	–	106
Investment properties	–	787
Prepaid lease payments	–	203
Interests in associates	–	1
Goodwill	–	59
Cash and bank balances	–	85
Accounts and bills receivable	–	207
Inventories	–	86
Amounts due from group companies	–	7
Prepayments, deposits and other assets	–	71
Release of exchange fluctuation reserve	–	(6)
	–	1,606
Liabilities:		
Accounts and bills payable	–	156
Accrued liabilities and other payables	–	50
Amounts due to associates	–	3
Bank loans	–	325
Deferred tax liabilities	–	1
Minority interests	–	363
	–	898
Represented by:		
Assets of a disposal group held for distribution	–	1,606
Liabilities of a disposal group held for distribution	–	(898)
Net assets directly associated with the disposal group held for distribution	–	708

41. DISCONTINUED OPERATIONS (continued)

(c) Net cash flows incurred by the disposal group held for distribution:

	2008 HK$ million	2007 HK$ million
Operating activities	–	20
Investing activities	–	(47)
Financing activities	–	191
Net cash inflow of the disposal group held for distribution	–	164

42. CONTINGENT LIABILITIES

	2008 HK$ million	2007 HK$ million
Bills discounted with recourse	–	122

The liquidators of Akai Holdings Limited (in compulsory liquidation) and sixteen other plaintiffs (the "plaintiffs") have brought an action against twenty defendants (the "defendants") which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company (collectively the "Company and Others"). The writ was issued in November 2005 but only served on the defendants in December 2007. A Consolidated Points of Claims (which was amended on 23 February 2009) was served on the defendants in April 2008. It alleged that the defendants had, amongst other things, breached statutory and other duties, and diverted certain assets from the Akai Group and sought various forms of relief from the defendants. The plaintiffs have yet to quantify the amount of damages and other remedies claimed against the defendants. The Company and Others have applied to strike out parts of the plaintiffs' claims (the "strike out application"). The strike out application which was originally scheduled to be heard in January 2009 was adjourned as a consequence of a number of other applications and steps which had to be dealt with first, but will be re-listed for hearing soon. In connection with the plaintiffs' claims, on 19 November 2008, the plaintiffs sought an injunction restraining the Company and eight of the defendants from, amongst other things, removing from Hong Kong, disposing of, dealing with or diminishing the value of any of their assets up to the value of US$500,000,000 or its equivalent currency (a "freezing order" application). On 9 February 2009, the Court handed down its judgment. The Court did not make a freezing order against either the Company or any of its subsidiaries. It did, however, make an order restraining a director of the Company from using his legal or beneficial shareholder equity in the Company to cause or procure the Company to dispose of its assets other than in the ordinary course of the Company's business, save where the disposal has been approved by a resolution of the Board as being in the best interest of the Company. The director of the Company must also give at least 14-days written notice of the intended disposal as approved by the board resolution together with particulars of the proposed transaction. The Court also made disclosure orders against the Company and the director of the Company. Subsequent to the balance sheet date, the Company and Others have filed a substantial defence to the claims.

43. COMMITMENTS

	2008 HK$ million	2007 HK$ million
(a) Capital commitments:		
Contracted for	**–**	–
Authorised, but not contracted for	**–**	–
	–	–

(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2008 HK$ million	2007 HK$ million
Land and buildings:		
Not later than one year	**23**	38
Later than one year and not later than five years	**54**	83
Later than five years	**34**	21
	111	142

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2007: 3 years) and rentals are fixed for an average of 4 years (2007: 3 years).

	2008 HK$ million	2007 HK$ million
Others:		
Not later than one year	**8**	7
Later than one year and not later than five years	**4**	13
	12	20

44. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

		2008 HK$ million	2007 HK$ million
(a)	Legal charges over brands and trademarks, account receivables and inventories	**547**	642
(b)	Legal charges over available-for-sale investments	**55**	–
(c)	Legal charges over investment properties	**41**	38
(d)	Legal charges over plant and equipments	**37**	108
(e)	Pledge of freehold buildings outside Hong Kong	**73**	60
(f)	Pledge of medium-term buildings outside Hong Kong	**36**	40
(g)	Pledge of marketable securities	**235**	223
(h)	Pledge of bank deposits	**10**	101
		1,034	1,212

45. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff of the Group in Hong Kong were offered the opportunity to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), introduced by the Hong Kong Special Administrative Region. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$1,000. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contribution under the pension scheme.

The staff in United States of America who wish to participate in the plan may contribute up to the legal limits, to which a specified percentage is matched by the subsidiaries in accordance with their plans.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries, including subsidiaries in Singapore and Japan. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the schemes, which contribution is matched by employees.

46. SEGMENT REPORTING

(a) Business segments

The Group comprises:

	Divisions	Principal activities
(i)	Branded distribution	Trading of audio & video products, licensing business and investments trading.
(ii)	Electronics manufacturing services	Manufacture and trading of electronic products

46. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2008	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Turnover:							
Sales of goods to external customers	1,657	634	–		2,291	–	2,291
Licensing income from external customers	141	–	–		141	–	141
Total	1,798	634	–		2,432	–	2,432
Results:							
Segment results	8	(11)	–		(3)	–	(3)
Unallocated corporate expenses				(29)	(29)	–	(29)
				(29)	(32)	–	(32)
Gain on disposal of property, plant and equipment	46	7	–	2	55	–	55
Share of loss of associates	(3)	–	–	–	(3)	–	(3)
Gain on disposal of subsidiaries				29	29	–	29
Impairment loss recognised in respect of –							
Goodwill				(194)	(194)	–	(194)
Available-for-sale investments				(14)	(14)	–	(14)
Allowance for doubtful debts				(8)	(8)	–	(8)
Change in fair value of exchangeable bonds and convertible debentures				(77)	(77)	–	(77)
Loss on financial derivatives				(149)	(149)	–	(149)
Reversal of losses on disposal of subsidiaries				123	123	–	123
Interest income				16	16	–	16
Interest expenses				(44)	(44)	–	(44)
Taxation				(3)	(3)	–	(3)
Loss for the year				(348)	(301)	–	(301)
Assets:							
Segment assets	4,828	4,799	(5,665)	102	4,064	–	4,064
Liabilities:							
Segment liabilities	4,263	3,156	(5,894)	411	1,936	–	1,936
Other information:							
Depreciation and amortisation	13	49		5	67	–	67
Capital expenditure	14	53		–	67	–	67

46. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2007	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Turnover:							
Sales of goods to external customers	4,313	2,861	–		7,174	618	7,792
Licensing income from external customers	13	–	–		13	–	13
Inter-segment sales	28	7	(35)		–	–	–
Total	4,354	2,868	(35)		7,187	618	7,805
Results:							
Segment results	(91)	(7)	–		(98)	31	(67)
Unallocated corporate expenses				(35)	(35)	–	(35)
				(35)	(133)	31	(102)
Loss on disposal of property, plant and equipment	(1)	(3)	–	–	(4)	–	(4)
Gain on disposal of available-for-sale investments	2	–	–	–	2	–	2
Net increase/(decrease) in fair value of investment properties	1	(1)	–	–	–	398	398
Discount on increased investment in subsidiaries	12	–	–	–	12	–	12
Share of loss of associates	(1)	(3)	–	–	(4)	–	(4)
Impairment loss recognised in respect of –							
Available-for-sale investments	(2)	–	–	–	(2)	–	(2)
Property, plant and equipment	(2)	–	–	–	(2)	–	(2)
Interest in a subsidiary				(42)	(42)	–	(42)
Interests in associates					–	(7)	(7)
Receivable from an associate				(20)	(20)	–	(20)
Change in fair value of exchangeable bonds and convertible debenture				4	4	–	4
Loss on financial derivatives				(60)	(60)	–	(60)
Group restructuring costs and expenses –							
Loss on complete and partial disposal of subsidiaries				(152)	(152)	(34)	(186)
Loss on restructured operations				(105)	(105)	–	(105)
Allowance for doubtful debts				(303)	(303)	–	(303)
Goodwill written off				(109)	(109)	–	(109)
Deferred development costs				(47)	(47)	–	(47)
Interest income				29	29	1	30
Interest expense				(66)	(66)	(6)	(72)
Taxation				(19)	(19)	–	(19)
(Loss)/profit for the year				(925)	(1,021)	383	(638)

46. SEGMENT REPORTING (continued)

(a) Business segments (continued)

2007	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Assets:							
Segment assets	5,115	3,197	(2,863)	154	5,603	1,606	7,209
Liabilities:							
Segment liabilities	4,006	2,722	(4,151)	487	3,064	898	3,962
Other information:							
Depreciation and amortisation	69	16		6	91	12	103
Capital expenditure	171	–		1	172	3	175

(b) Geographical segments

	Turnover		**Carrying amount of segment assets**		**Capital expenditure incurred during the year**	
	2008 HK$ million	2007 HK$ million	**2008 HK$ million**	2007 HK$ million	**2008 HK$ million**	2007 HK$ million
Asia	**789**	3,853	**2,107**	4,747	**66**	169
North America	**1,586**	2,765	**182**	672	**1**	6
Europe	**57**	569	**1**	5	**–**	–
Unallocated	**–**	–	**1,774**	1,785	**–**	–
	2,432	7,187	**4,064**	7,209	**67**	175

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Directly held:					
Broadland Investments Limited	British Virgin Islands	US$106	**100%**	100%	Investment holding
The Grande (Nominees) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Grande N.A.K.S. Ltd	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
Indirectly held:					
The Capetronic Group Limited	Cayman Islands	HK$62,844,690	**100%**	100%	Investment holding
Tomei Kawa Electronics International Limited	British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding
Innovative Capital Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding
The Alpha Capital Services Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance
Capetronic Technology Ltd	Hong Kong	HK$2,184,060	**100%**	100%	Trading of audio and video products
The Grande Group (Hong Kong) Limited	Hong Kong	HK$20	**100%**	100%	Provision of administration services

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Indirectly held: (continued)					
Sansui Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Trading of audio and video products
Sansui Acoustics Research Corporation	British Virgin Islands	US$2	**100%**	100%	Brands and trademarks holding
Nakamichi Designs Limited	British Virgin Islands	US$50,000	**100%**	100%	Brands and trademarks holding
Nakamichi Corporation Limited	Singapore	S$2	**100%**	100%	Trading of audio and video products
Capetronic Display Devices Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding
Akai Electric Co., Ltd.	Japan	JPY4,684,650,000	**88%**	88%	Trading of audio and video products
Phenomenon Agents Limited	British Virgin Islands	US$50,000	**88%**	88%	Brands and trademarks holding
Akai Sales Pte. Ltd.	Singapore	S$2	**88%**	88%	Trading of audio and video products
Nakamichi Corporation	Japan	JPY209,640,000	**100%**	100%	Trading of audio and video products
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Emerson Radio Corp. (i)	United States of America	US$529,000	**58%**	58%	Engaged in the consumer electronics industry
Hi-Tech Precision Products Ltd	British Virgin Islands	US$1	**100%**	100%	Investment holding
Sansui Electric Co., Ltd. (ii)	Japan	JPY5,794,263,000	**40%**	40%	Sale of audio, visual and other electronic products

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Capetronic Group Ltd	British Virgin Islands	US$10,000	**85%**	85%	Investment holding
Sansui Electric (China) Co. Ltd (iii)	The People's Republic of China	RMB50,000,000	**85%**	85%	Manufacture and sale of electronic subassembly
Akai Electric (China) Co. Ltd (iii)	The People's Republic of China	RMB130,000,000	**85%**	85%	Manufacture and sale of printed circuit board assembly
Zhongshan Tomei Audio & Video Products Co. Ltd (iv)	The People's Republic of China	HK$103,589,875	**75%**	75%	Manufacture of mechadecks and video products

Notes :

(i) Listed on the NYSE Alternext U. S.

(ii) Listed on the First Section of the Tokyo Stock Exchange.

(iii) Wholly foreign-owned enterprises.

(iv) Equity joint venture.

48. BALANCE SHEET INFORMATION OF THE COMPANY

	2008 HK$ million	2007 HK$ million
Total assets	**2,898**	4,354
Total liabilities	**(993)**	(1,275)
Net assets	**1,905**	3,079
Share capital	**46**	46
Share premium	**1,173**	1,173
Reserves	**686**	1,860
Shareholders' equity	**1,905**	3,079

49. COMPARATIVE AMOUNTS

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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2009.