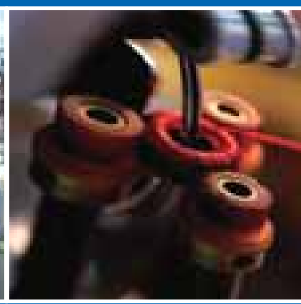
Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 833



2009

Annual Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. LAM Yin Kee *(Chairman)*
Ms. YEUNG Po Wah
Mr. SO Kin Hung
Mr. Toshio DAIKAI (resigned on 1 April 2009)

Non-executive Director
Mr. FAN, William Chung Yue

Independent Non-executive Directors
Ms. YEUNG Chi Ying
Mr. YAU Ming Kim, Robert
(appointed on 1 September 2009)
Mr. LEUNG Kam Wah
Mr. Barry John BUTTIFANT
(retired on 2 June 2009)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1108, 11/F,
Eastwood Centre,
No. 5 A Kung Ngam Village Road
Shau Kei Wan
Hong Kong

COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

STOCK CODE

833

INDEPENDENT AUDITOR

PricewaterhouseCoopers

AUDIT COMMITTEE

Ms. YEUNG Chi Ying
(Chairman from 1 September 2009)
Mr. YAU Ming Kim, Robert
(appointed on 1 September 2009)
Mr. LEUNG Kam Wah
Mr. Barry John BUTTIFANT *(former Chairman)*
(retired on 2 June 2009)

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

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

In Cayman Islands
Butterfield Fulcrum Group (Cayman) Limited
P. O. Box 705
Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

WEBSITES

http://www.irasia.com/listco/hk/alltronics/index.htm
http://www.alltronics.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present to you the annual report for the year ended 31 December 2009.

BUSINESS REVIEW

2009 is a difficult and challenging year for the Group as the global financial crisis continued to impact our business. The demand for the Group's electronic products had decreased, especially from local customers and customers in Europe. On the other hand, total sales to the China market had increased. The Group's total turnover for the year ended 31 December 2009 had decreased by 9.6% to HK$449 million, compared to HK$497 million for the year 2008. Despite the drop in turnover, the Group has achieved a profit attributable to equity holders of the Company of HK$14 million for this year, compared to a loss attributable to equity holders of the Company of HK$10 million for the year 2008. The improved performance was attributed to improved gross profit margins for products sold by the Group and stringent cost control measures implemented during the year.

The products of the Group can be broadly classified into two categories, namely electronic products and biodiesel products. Electronic products include finished electronic products, moulds, plastic and other components for electronic products.

Electronic products

Sales of electronic products for the year were HK$444 million, compared to HK$497 million for the previous year. The decrease was mainly due to the drop in demand from customers in Hong Kong, Europe and other territories such as Japan. The United States continued to be the major market for the Group's products and accounted for 51.4% of the total turnover of the Group for the year 2009 (2008: 46.2%). The sales of the Group's major product, irrigation controllers, had increased by 0.7% during the year.

Biodiesel products

Total revenue from biodiesel business for the year was HK$6 million. As the business was only acquired by the Group on 27 November 2008, the turnover and contributions to the Group for the year 2008 were not significant. The performance of the biodiesel business was behind management's expectation. This is due to a number of reasons, including the customers' lack of knowledge on biodiesel and the drop in crude oil prices at the beginning of the year has affected the willingness of users to shift from petroleum-based diesel to biodiesel. However, the performance of the biodiesel business has improved consistently since the second half of 2009. Furthermore, regulations on use of biodiesel in Hong Kong had been gazetted in November 2009 and these regulations will become effective from 1 July 2010. With this legal back up on the use of biodiesel in Hong Kong, management expects that demand for biodiesel products will increase at a faster pace in 2010.

CHAIRMAN'S STATEMENT

Gross profit margin

The overall gross profit margin for the year was 17.7%, compared to 11.6% for the year 2008. The significant improvement in the gross profit margin was mainly due to the less fluctuation in raw material prices and labour costs, stringent cost control measures implemented by the Group and the adjustment in selling prices for products sold during the year.

PROSPECTS

The global economy has seen recovery signs since the last quarter of 2009, albeit the recovery pace may be slow and that it is still uncertain whether the recovery is only a temporary rebound. Looking to 2010, there are still a number of factors affecting the performance of the Group, including the movements in crude oil and commodity prices and unit prices for raw materials such as plastic resins, copper and other metal parts, the pace of recovery of the global economy and the United States property market, the development of the recent credit crisis in Dubai, Greece and other European Community countries, the stability of Renminbi and United States dollars against Hong Kong dollars and the constant supply of skillful labour in China at reasonable wage levels. Meanwhile, the Group will continue its effort to tighten controls over production costs and overheads, and will improve production efficiency so as to maintain gross profit margin.

In terms of market, the Group will continue to devote significant efforts to explore new markets and new customers, especially in the Greater China market. It is expected that the economy of China will continue to grow steadily in 2010, with an anticipated GDP growth of 8% on an annual basis.

Regarding the biodiesel business, in view of the strong global demand and advocate for alternative green energy and for reduction of carbon emission, we have confidence that the biodiesel business will expand continuously and will eventually become one of the major sources of income to the Group.

The Group will grasp every opportunity and continue to look for investment opportunity so as to diversify its business and to provide a better return to all shareholders.

DIVIDEND

The Board recommends a final dividend of HK3 cents per ordinary share, together with the interim dividend of HK2 cents per ordinary share paid in October 2009, the total dividend for the year will be HK5 cents per ordinary share. The Board believes that after the payment of the proposed final dividend, the financial position of the Group remains to be strong and the Group still has sufficient liquid funds to finance its operations and to prepare for future growth.

CHAIRMAN'S STATEMENT

APPRECIATION

Finally, on behalf of the Board, I would like to thank the management team and all of our staff for their hard work and contribution in the past year. Particularly, I would like to thank Mr Toshio Daikai and Mr Barry John Buttifant, who had resigned as executive Director and retired as independent non-executive Director respectively during the year, for their invaluable contributions during their term of office with the Company. I would also like to welcome Mr Yau Ming Kim, Robert who has been appointed as an independent non-executive Director of the Company in September 2009. Lastly, I wish to take this opportunity to extend my sincere gratitude to all our shareholders, customers and business partners for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 21 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The turnover of the Group for the year ended 31 December 2009 had decreased by 9.6% to HK$449 million, as compared to HK$497 million for the year 2008. The turnover analysis by category of products for the two years ended 31 December 2009 and 2008 respectively are as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of electronic products	**443,609**	497,157
Sales of biodiesel products	**5,779**	207
	449,388	497,364

Sales of electronic products included the sales of finished electronic products, plastic, moulds and other components for electronic products. Although the sales of electronic products to the major market, the United States, had improved slightly from HK$230 million for the year 2008 to HK$231 million this year, the overall sales of electronic products had decreased by 10.8% due to the drop in demand from local customers and customers in Europe. During the year, the sales of the Group's major product, irrigation controllers, had increased slightly by 0.7% to HK$144 million.

The establishment of the new factory at Yangxi, the People's Republic of China ("PRC"), in August 2008 has enabled the Group to remain competitive in the market of component products such as transformers and adapters, as the labour costs and overhead at Yangxi are comparatively lower than those of the Group's other factories at Shenzhen, PRC. During the year, the sales of the Yangxi factory had increased from HK$2 million for the year 2008 to HK$22 million in 2009. On the other hand, the total sales of moulds and plastic components had dropped by 9.0%. It is the Group's intention to reduce the scale of the plastic and moulds operations so that more resources can be focused on other higher margin products.

The performance of the biodiesel business was behind management's expectation. The growth in demand for biodiesel products in Hong Kong is slow as biodiesel is still a new product in the market not well-known by most customers. However, since the second half of 2009, the sales revenue from biodiesel business has been increasing consistently. Furthermore, regulations on the use of biodiesel in Hong Kong as an alternative green energy had been gazetted in November 2009 and these regulations will become effective from 1 July 2010. Management expects that the sales revenue from biodiesel products will increase continuously and the business will continue to improve in the year 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of market, the United States continued to be the major market for the Group's products and accounted for approximately 51.4% of the total turnover for the year 2009 (2008: 46.2%). During the year, the sales to the PRC market had doubled from HK$21 million in 2008 to HK$42 million in 2009.

Gross profit

The overall gross profit margin had improved significantly from 11.6% for the year 2008 to 17.7% for 2009. The rise in gross profit margin was due to a number of factors, including the adjustment on selling prices of the Group's products during the year, the costs for major raw materials were less fluctuated during the year and stringent cost control measures were implemented by the Group during the year. Furthermore, the gross profit margins for biodiesel products are usually higher than those for electronic products.

Operating expenses

During the year ended 31 December 2009, distribution costs were at approximately 0.8% of total turnover. This is at approximately the same level as that for the previous year. Total administrative expenses dropped from HK$56 million to HK$53 million during the year. The fall was mainly due to the Group's continued effort to tighten its control over cost and overhead. On the other hand, the net finance costs for the year had remained at approximately the same level of HK$4 million as for the year 2008.

Net profit attributable to equity holders of the Company

As a result of the improved gross profit margin and the drop in administrative expenses, the Group has made a profit attributable to equity holders of the Company of HK$14 million for the year, compared to a loss of HK$10 million for the year 2008.

PRODUCTION FACILITIES

The Group currently has three production plants in the PRC for the manufacturing of electronic products, two of which are located at Shenzhen, and one at Yangxi. During the year 2009, the Group spent approximately HK$2 million to acquire new plant and machinery and approximately HK$6 million on leasehold improvements to enhance its production capacity. These additions were mainly for expansion of the production facilities at the factory at Yangxi.

The Group's biodiesel production facilities are located at Tuen Mun, Hong Kong with a current production capacity of approximately 18,000 tons of biodiesel on an annual basis.

The Group believes that the current production facilities are sufficient for its production requirements in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2009, total cash and cash equivalents, net of bank overdrafts, amounted to HK$79 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2009, total borrowings of the Group amounted to HK$89 million, comprising bank overdrafts of HK$12 million, bank loans of HK$73 million, bills payable and trust receipt loans of HK$3 million and obligations under finance leases of HK$1 million, all of which are denominated in Hong Kong dollars, except for a US$2.6 million term loan. The average effective interest rates for these borrowings at 31 December 2009 ranged from 3.2% to 6.1%.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 63 days, 72 days and 75 days respectively for the year 2009. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

The Group's total current assets increased by 3.3% to HK$261 million as at 31 December 2009 compared to HK$253 million as at 31 December 2008, and the Group's total current liabilities decreased by 12.7% to HK$123 million compared to HK$141 million as at 31 December 2008. The current ratio (current assets/current liabilities) therefore improved from 1.8 times as at 31 December 2008 to 2.1 times as at 31 December 2009.

During the year, the Company has not repurchased any of its own shares on the Stock Exchange and there were no change in the Company's capital structure. At 31 December 2009, the Company had in issue a total of 314,320,000 ordinary shares of HK$0.01 each.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2009 was HK$79 million, which had increased by HK$31 million compared to the balance at 31 December 2008.

The net cash generated from operating activities for the year was HK$33 million. The net cash used in investing activities amounted to HK$14 million, which was mainly due to HK$11 million spent on the acquisition of property, plant and equipment.

On the other hand, there was a net cash inflow of HK$12 million from financing activities in 2009. During the year, new borrowings of HK$42 million were obtained and HK$22 million was used to repay bank borrowings and finance leases and HK$6 million was paid to shareholders as dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

At 31 December 2009, the Group had total bank borrowings of HK$89 million, out of which HK$21 million were secured by short-term bank deposits of HK$3 million, available-for-sale financial assets of HK$3 million and trade receivables of HK$2 million.

GEARING RATIO

At 31 December 2009, total borrowings, including bank overdrafts but excluding trade related debts, were HK$87 million. On the other hand, total cash and cash equivalents on hand were HK$91 million. The Group did not have a net debt position as at 31 December 2009 and therefore no gearing ratio was presented.

CONTINGENT LIABILITIES

At both 31 December 2009 and 31 December 2008, the Group did not have any material contingent liabilities.

EMPLOYEES

At 31 December 2009, the Group had 2,740 employees, of which 80 were employed in Hong Kong and 2,660 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total staff costs, excluding directors' emoluments, incurred by the Group for 2009 amounted to HK$90 million.

The Company has also adopted a share option scheme on 22 June 2005. During the year, no share options were granted or exercised. A total of 600,000 share options had lapsed during the year. Details of the principal terms and conditions of the scheme are set out in the Report of the Directors on page 25.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and have contributed to the success of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and Hong Kong dollars and most of the purchases of raw materials are denominated in United States dollars, Hong Kong dollars and Renminbi. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars or Hong Kong dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Although the foreign currency risk is not considered to be significant, management has taken action to minimise the risk. In particular, a substantial portion of the Group's borrowings were denominated in Hong Kong dollars. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

OUTLOOK

The Group expects that global economic environment in 2010 will continue to be challenging. In order to maintain a competitive position in the industry, the Group will continue to pursue a more cost effective operational structure, to tighten its controls over production costs and overheads, and to improve production efficiency so as to maximize the gross profit margin.

In terms of market, it is still uncertain whether the United States economy will continue to recover from the financial tsunami and will have improved performance in the year 2010 than in 2009. However, the Group will continue to devote significant efforts to explore new markets and new customers, especially in the Greater China market. It is expected that the economy of China will continue to grow steadily in 2010, with an anticipated GDP growth of 8% on an annual basis.

The acquisition of biodiesel business in 2008 has enabled the Group to diversify its business to a new business with high growth potential. Biodiesel is an alternative green energy which helps to reduce carbon emission. With the regulations on the use of biodiesel in Hong Kong becoming effective from 1 July 2010, the Group expects that the demand for biodiesel will increase in a fast pace in the future.

Although there are still challenges ahead in terms of competition, rising production costs and unstable global economy, management is confident that the Group will meet these challenges because it has a well balanced worldwide customer base; consistently high quality products; and timely delivery, strong engineering and development support to its customers allied with an experienced and dedicated management team and its highly skilled and efficient workforce.

In addition, the Group will grasp every opportunity and continue to look for investment opportunity so as to diversify its business and to provide a better return to all shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

In appreciation of the continuing support from the shareholders, the Board proposes the payment of a final dividend of HK3 cents per share. Together with the interim dividend of HK2 cents per share paid in October 2009, the total dividends paid for the year 2009 will be HK5 cents per share. All dividends are paid in cash from funds generated from the Group's operations. The Group has sufficient funds for its future expansion after the payment of dividends.

The proposed final dividend of HK3 cents per share will be payable to shareholders whose names appear on the register of members of the Company on 28 May 2010. The register of members will be closed from 25 May 2010 to 28 May 2010, both days inclusive, and the proposed final dividend will be paid on or about 10 June 2010. The proposed final dividend shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 63, is an executive Director and the Chairman of the Company. Being the founder of the Group, Mr. Lam has over 40 years of marketing experience in the electronic industry and he is responsible for the Groups' overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years.

Ms. Yeung Po Wah (楊寶華), aged 60, is an executive Director of the Company and the wife of Mr. Lam Yin Kee. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department.

Mr. So Kin Hung (蘇健鴻), aged 53, was appointed as an executive Director of the Company on 1 August 2008. Mr. So graduated from the University of East London (previously known as "North East London Polytechnic") in the United Kingdom in 1982, with a degree of Bachelor of Science (Electrical and Electronic Engineering). Mr. So joined the Group since 1997 and is also the general manager of two of the Group's subsidiaries, namely Alltronics Tech. Mftg. Limited and Shenzhen Allcomm Electronic Co. Ltd. He has over 25 years of experience in the electronic industry and is responsible for the marketing and engineering operations of the Group. Prior to joining the Group in 1997, Mr. So worked for a Hong Kong listed company as the assistant general manager.

Non-Executive Director

Mr. Fan, William Chung Yue (范仲瑜), aged 69, is a non-executive Director appointed by the Group in June 2005. Mr Fan is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors. He is also a director of Chinney Investments, Limited and an independent non-executive director of Artini China Co. Ltd. since 1987 and 2008 respectively, both of these companies are listed on the main board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Independent non-executive Directors

Ms. Yeung Chi Ying (**楊芷櫻**), aged 45, is an independent non-executive Director appointed by the Group in June 2005. Ms. Yeung is a fellow member of the Association of the Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She is a practicing certified public accountant in Hong Kong and has over 18 years of experience in auditing and accounting.

Mr. Leung Kam Wah (**梁錦華**), aged 63, is an independent non-executive Director appointed by the Group in June 2005. Mr. Leung has over 30 years of experience in the legal sector. He had worked as a judicial clerk in the Judiciary Department and a legal executive in Legal Aid Department of Hong Kong. Mr. Leung is now practicing as a law costs draftsman and operating a legal costing firm in Hong Kong.

Mr. Yau Ming Kim, Robert (**丘銘劍**), aged 71, is an independent non-executive Director appointed by the Group in September 2009. Mr. Yau graduated from Wah Yan College and has extensive experience in the textile and clothing industry and worldwide trade affairs. He served as a trade officer in the Hong Kong Government from 1964 to 1971. In 1970, he was seconded to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as "World Trade Organisation") in Geneva, Switzerland and was awarded GATT Fellowship. Mr Yau had held senior positions including chief executive and managing director of various major international and local apparel companies since 1971. In addition, from 1998 to 2004, he was appointed as the vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council.

Mr Yau is currently an independent non-executive director of Parkson Retail Group Limited and Tungtex (Holdings) Company Limited since 1 January 2007 and 18 September 2006 respectively. The shares of these two companies are listed on the listed on the main board of the Stock Exchange.

PUBLIC SANCTION

On 15 April 2010, the Stock Exchange publicly censured the Company for its breach of Rule 13.09 of the Listing Rules for failing to publish an announcement to disclose the deterioration of the Group's business performance in the first six months ended 30 June 2008. Mr Lam Yin Kee and Ms Yeung Po Wah were also publicly censured for their breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules. Mr So Kin Hung, Mr Fan, William Chung Yue, Ms Yeung Chi Ying, Mr Leung Kam Wah and Mr Barry John Buttifant (a former independent non-executive Director of the Company) were publicly criticised for their respective breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (**楊建燊**), aged 59, is a co-founder of Southchina and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 28 years of management experience in manufacturing field.

Mr. Lam On Bong (**林安邦**), aged 58, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 28 years of management experience in manufacturing field.

Mr. Leung Hon Kwong, Jackson (**梁漢光**), aged 57, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 28 years of management experience in manufacturing field.

Mr. Leung Fuk Cheung (**梁福祥**), aged 46, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company and recognises the importance of good corporate governance to the Company's healthy growth. During the year ended 31 December 2009, the Company has applied the principles and complied with all applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the limited deviations on the grounds and causes as explained below. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximize the interests of shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2009.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant senior management of the Company in respect of their dealings in the securities of the Company.

THE BOARD OF DIRECTORS AND BOARD MEETINGS

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy, to oversee the management of the Group and to evaluate the performance of the Group. The Board is also responsible for the approval of annual and interim results, risk management, major acquisitions, and other significant operational and financial matters. Matters not specifically reserved to the Board and necessarily relate to the daily operations of the Group are delegated to the management under the supervision of the respective Directors and the leadership of the Chairman.

On 1 April 2009, Mr. Toshio Daikai has resigned from the office as an executive Director of the Company as he has reached the retirement age. On 2 June 2009, Mr. Barry John Buttifant retired from the office as an independent non-executive Director at the conclusion of the 2009 Annual General Meeting of the Company and has not offered himself for re-election. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company effective from 1 September 2009. Other than the above, there was no other change in the composition of the Board during the year ended 31 December 2009.

Following the retirement of Mr Barry John Buttifant on 2 June 2009, the number of independent non-executive Directors of the Company had fallen below the minimum number required under Rule 3.10(1) of the Listing Rules, and the number of audit committee members of the Company had fallen below the minimum number required under Rule 3.21 of the Listing Rules. Upon the appointment of Mr Yau Ming Kim, Robert effective from 1 September 2009, the Company has duly complied with Rule 3.10(1) and Rule 3.21 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors	:	Mr. Lam Yin Kee *(Chairman and Chief Executive)* Ms. Yeung Po Wah Mr. So Kin Hung
Non-executive Director	:	Mr. Fan, William Chung Yue
Independent non-executive Directors	:	Ms. Yeung Chi Ying Mr. Yau Ming Kim, Robert Mr. Leung Kam Wah

Mr Lam Yin Kee is the Chairman and Chief Executive of the Group. Ms. Yeung Po Wah is an executive Director of the Group and the wife of Mr Lam Yin Kee. Apart from this, there is no other direct family relationship amongst the members of the Board.

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 11 to 12. All Directors have sufficient experience to hold their positions so as to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group.

The non-executive Director and the three independent non-executive Directors are person of high caliber with academic and professional qualifications in the fields of accounting, law and business management. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group. Mr. Fan, William Chung Yue, Ms. Yeung Chi Ying and Mr. Leung Kam Wah are appointed for a term of one year commencing from 17 June 2005, and such appointments shall continue thereafter from year to year until terminated by either party with one month's written notice served to the other party. Pursuant to an appointment letter dated 17 August 2009, Mr Yau Ming Kim, Robert agreed to act as an independent non-executive Director of the Company from 1 September 2009 until the conclusion of the next annual general meeting of the Company, at which he will be eligible for re-election at that meeting. The appointment of Mr Yau Ming Kim, Robert, if so re-elected, shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he/she has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of Directors.

CORPORATE GOVERNANCE REPORT

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2009, eight full board meetings were held and the attendance of the Board of Directors is set out as follows:

Name of Director	Number of board meetings attended
Mr. Lam Yin Kee	8/8
Ms. Yeung Po Wah	6/8
Mr. Toshio Daikai*	3/3
Mr. So Kin Hung	8/8
Mr. Fan, William Chung Yue	7/8
Mr. Barry John Buttifant[@]	4/4
Ms. Yeung Chi Ying	8/8
Mr. Yau Ming Kim, Robert[#]	2/3
Mr. Leung Kam Wah	7/8

* Only three board meetings were held before the resignation of Mr. Toshio Daikai on 1 April 2009.

@ Only four board meetings were held before the retirement of Mr. Barry John Buttifant on 2 June 2009.

\# Only three board meetings were held after the appointment of Mr. Yau Ming Kim, Robert on 1 September 2009.

Every Board member has a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Apart from the above regular meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2009. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

The Company has arranged for appropriate liability insurance to indemnify its directors and officers for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE

Under Code Provision A.2.1 of the Code, the role of Chairman and Chief Executive should be separated and ought not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr Lam Yin Kee currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. However, the Board will review the roles of Mr Lam Yin Kee acting as the Chairman and Chief Executive regularly, and may segregate the roles to two Directors, if the Board believes that it is for the best interest of the Company and the shareholders.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Mr. So Kin Hung and Mr. Leung Kam Wah had been re-appointed at the last Annual General Meeting held on 2 June 2009. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Ms. Yeung Chi Ying and Mr. Yau Ming Kim, Robert shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Chairman is responsible for identifying suitable candidates for members of the Board when there is vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation to the shareholders' meeting for approval.

All Directors (including executive, non-executive and independent non-executive Directors) are subject to election for appointment by shareholders at the annual general meeting once every three years. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for the termination of the service contracts with executive Directors by either party is not less than three months. The notice period for the termination of appointment of non-executive Directors and independent non-executive Directors by either party is not less than one month.

REMUNERATION COMMITTEE

According to the Code, the Company has set up a Remuneration Committee on 22 June 2005. The Remuneration Committee has a minimum of five members, comprising a majority of independent non-executive Directors. The Chairman of the Remuneration Committee is Mr. Lam Yin Kee and other current members include Ms. Yeung Po Wah, Ms Yeung Chi Ying, Mr Yau Ming Kim, Robert and Mr Leung Kam Wah. The Remuneration Committee schedules to meet at least once every year and the quorum necessary for the transaction of business is two.

The duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(g) to advise shareholders on how to vote with respect to any service contracts of Directors that required shareholders' approval under rule 13.68 of the Listing Rules; and

(h) to consider other topics, as defined by the Board.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee had one meeting in 2009 which was attended by all members of the Remuneration Committee to discuss and review the bonus payment policy and the pay trend.

The Company has adopted a share option scheme on 22 June 2005, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 25 to 27. The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the Directors' emoluments are set out in note 10 to the financial statements.

AUDIT COMMITTEE

The Company established an Audit Committee on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises members of independent non-executive Directors only. On 2 June 2009, Mr. Barry John Buttifant (the former chairman of the Audit Committee) retired from the office as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee at the conclusion of the 2009 Annual General Meeting of the Company and has not offered himself for re-election. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director, a member of the Audit Committee and Remuneration Committee of the Company effective from 1 September 2009. The current members of the Audit Committee are Ms Yeung Chi Ying, Mr Yau Ming Kim, Robert and Mr Leung Kam Wah. Ms. Yeung Chi Ying was appointed as the chairman of the Audit Committee on 1 September 2009.

Following the retirement of Mr Barry John Buttifant on 2 June 2009, the number of independent non-executive Directors of the Company had fallen below the minimum number required under Rule 3.10(1) of the Listing Rules, and the number of audit committee members of the Company had fallen below the minimum number required under Rule 3.21 of the Listing Rules. Upon the appointment of Mr Yau Ming Kim, Robert effective from 1 September 2009, the Company has duly complied with Rule 3.10(1) and Rule 3.21 of the Listing Rules.

The Audit Committee meets at least twice every year and the quorum necessary for the transaction of business is two. Two meetings were held during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Name of Member	Number of meetings attended
Ms. Yeung Chi Ying	2/2
Mr. Yau Ming Kim, Robert*	1/1
Mr. Leung Kam Wah	1/2
Ms. Barry John Buttifant@	1/1

* Only one audit committee meeting was held after the appointment of Mr. Yau Ming Kim, Robert on 1 September 2009.

@ Only one audit committee meeting was held before the retirement of Mr. Barry John Buttifant on 2 June 2009.

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit Committee are as follows:

Relationship with the Company's independent auditor

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor, and to approve the remuneration and terms of engagement of the independent auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the independent auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the independent auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on the engagement of the independent auditor to supply non-audit services. The Audit Committee shall ensure that the provision by the independent auditor of non-audit services does not impair the independent auditor's independence or objectivity;

Review of financial information of the Company

(d) to monitor integrity of financial statements of the Company and the Company's annual reports and accounts, interim results and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein, before submission to the Board;

(e) In regard to (d) above:

(i) members of the Audit Committee must liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant. The Audit Committee must meet, at least once a year, with the Company's independent auditor;

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or independent auditor; and

(iii) the Audit Committee should discuss problems and reservation arising from the financial statements, annual reports and accounts, interim reports and quarterly reports (if applicable) and any other matters the independent auditor may wish to discuss (in the absence of management of the Company where necessary);

CORPORATE GOVERNANCE REPORT

Oversight of the Company's financial reporting system and internal control procedures

(f) to review the Company's financial controls, internal control and risk management systems, and its statement in relation thereto prior to endorsement by the Board;

(g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(i) to review the Company and its subsidiaries' financial and accounting policies and practices;

(j) to review the independent auditor's management letter, any material queries raised by the independent auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(k) to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;

(l) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

(m) to act as the key representative body for overseeing the Company's relation with the independent auditor;

(n) to report to the Board on the matters set out in this term of reference; and

(o) to consider other topics, as defined by the Board.

The Audit Committee also ensures that the directors of the Company have conducted an annual review of the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, and training programmes and budget.

The Group's interim results and annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2009, the Audit Committee has met with the independent auditor with no executive Directors present.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC Hong Kong"). PwC Hong Kong is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC Hong Kong was also engaged to advise the Group on tax compliance and related matters.

The fees paid and payable by the Group to PwC Hong Kong in respect of audit and non-audit services for the year ended 31 December 2009 are HK$1,440,000 and HK$67,000 respectively.

PUBLIC SANCTION

On 15 April 2010, the Stock Exchange publicly censured the Company for its breach of Rule 13.09 of the Listing Rules for failing to publish an announcement to disclose the deterioration of the Group's business performance in the first six months ended 30 June 2008. Mr Lam Yin Kee and Ms Yeung Po Wah were also publicly censured for their breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules. Mr So Kin Hung, Mr Fan, William Chung Yue, Ms Yeung Chi Ying, Mr Leung Kam Wah and Mr Barry John Buttifant were publicly criticised for their respective breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders are set out on in the Independent Auditor's Report on pages 35 and 36.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

Internal control systems have been designed to allow Directors to monitor the Group's overall financial position, safeguard its assets, provide reasonable assurance against fraud and errors, and to manage the risks in failing to achieve the Group's objectives. Executive Directors monitor the business activities closely. The Group from time to time updates and improves the internal controls.

The Group conducts a review of its system of internal control periodically to ensure there is an effective and adequate internal control system. The Company convenes management meeting periodically to discuss financial, operational and risk management control. The Audit Committee also reviews the internal control system and evaluates its adequacy, effectiveness and compliance on a regular basis. During 2009, the Board has reviewed the effectiveness of the Group's internal control system and considered that the system was effective.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and uses a number of formal communication channels to account to shareholders and investors for the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) meetings are held with media and investors periodically; (iv) the Company replies to enquiries from shareholders timely; and (v) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the Stock Exchange's website and the Company's website. The Chairman and Directors will answer questions on the Group's business at the meeting.

LOOKING FORWARD

The Company's shareholders' rights are at all times highly regarded by the Group. The Group will make sure the Company's shareholders know how to exercise their rights.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take necessary actions to ensure compliance with the required practices and standards including the provisions of the Code introduced by the Stock Exchange.

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") is pleased to present its annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company and provides corporate management services to its group companies. The activities of the subsidiaries as set out in note 19 to the financial statements are primarily manufacturing and trading of electronic products and components for electronic products, and the manufacturing and trading of biodiesel products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 37.

During the year, the Company has declared and paid an interim dividend of HK2 cents per ordinary share, totalling HK$6,286,400. The Directors recommend the payment of a final dividend for the year of HK3 cents per ordinary share, amounting to HK$9,429,600, subject to the approval by shareholders at the Annual General Meeting of the Company to be held on 28 May 2010. It is expected that the final dividend will be paid on or before 10 June 2010 to shareholders whose names appeared on the register of members on 28 May 2010.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 32 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$1,880,470.

PROPERTY, PLANT AND EQUIPMENT

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

LEASEHOLD LAND AND LAND USE RIGHTS

Details of the movements in leasehold land and land use rights of the Group are set out in note 17 to the financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company at 31 December 2009, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$63,219,000 (2008: HK$62,492,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 121.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2009 and the Company has not redeemed any of its shares during the year.

BORROWINGS

Details of the Group's borrowings, including bank loans, trust receipts loans and overdrafts as at 31 December 2009 are set out in note 33 to the financial statements.

SHARE OPTIONS

Pursuant to a written resolution of the shareholders of the Company passed on 22 June 2005, a share option scheme (the "Share Option Scheme") was approved and adopted.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

REPORT OF THE DIRECTORS

For the purpose of the Share Option Scheme, participants include (i) any executive, non-executive or independent non-executive Director of the Group; (ii) any employee (whether full time or part time) of the Group; and (iii) any supplier and/or sub-contractor of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 15 July 2005, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange.

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve–month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

REPORT OF THE DIRECTORS

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day;

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 22 June 2005, being the date on which the Share Option Scheme is adopted.

A summary of the movements of the outstanding share options during the year ended 31 December 2009 are as follows:

	Number of share options					
	Held at 1 January 2009 *(Note 1)*	Granted during the year *(Note 2)*	Exercised during the year *(Note 2)*	Cancelled or lapsed during the year *(Note 1)*	Held at 31 December 2009	Exercise price per share *(HK$)*
Executive Directors	–	–	–	–	–	–
Other employees	600,000	–	–	(600,000)	–	2.94
Total	600,000	–	–	(600,000)	–	

Notes:

(1) The outstanding share options held at 1 January 2009, being granted on 6 July 2007 with an exercisable period of two years from 6 July 2007 to 5 July 2009, had been expired and lapsed during the year. There was no vesting period for these share options.

(2) During the year ended 31 December 2009, no share options were granted or exercised.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Lam Yin Kee *(Chairman)*
Ms. Yeung Po Wah
Mr. So Kin Hung
Mr. Toshio Daikai (resigned on 1 April 2009)

Non-Executive Director

Mr. Fan, William Chung Yue

Independent Non-Executive Directors

Ms. Yeung Chi Ying
Mr. Leung Kam Wah
Mr. Yau Ming Kim, Robert (appointed on 1 September 2009)
Mr. Barry John Buttifant (retired on 2 June 2009)

Following the retirement of Mr Barry John Buttifant on 2 June 2009, the number of independent non-executive Directors of the Company was below the minimum number required under Rule 3.10(1) of the Listing Rules, and the number of audit committee members of the Company was below the minimum number required under Rule 3.21 of the Listing Rules. Upon the appointment of Mr Yau Ming Kim, Robert effective from 1 September 2009, the Company has duly complied with Rule 3.10(1) and Rule 3.21 of the Listing Rules.

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Ms. Yeung Chi Ying and Mr. Yau Ming Kim, Robert shall retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Yin Kee and Ms. Yeung Po Wah has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarised as follows:

(i) each service contract is of an initial term of three years commencing on 15 July 2005 and shall continue thereafter until terminated in accordance with the terms of the contracts. Under the contract, either party may terminate the contract at any time by giving to the other not less than three months' prior notice in writing;

(ii) the current monthly salary for each of Mr. Lam Yin Kee and Ms. Yeung Po Wah are HK$193,920 and HK$63,110 respectively, subject to annual increment of not more than 10% and discretionary bonus of not more than 10% of the Group's profit in aggregate;

(iii) the Group provides directors' accommodation to Mr. Lam Yin Kee at a current monthly rental of HK$100,000.

There is no service contract between the Company and Mr. So Kin Hung in relation to his role as an executive Director of the Company. The current monthly salary for Mr. So Kin Hung is HK$69,300.

The non-executive Director and independent non-executive Directors, other than Mr. Yau Ming Kim, Robert, were appointed for an initial term of one year commencing from 17 June 2005 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Pursuant to an appointment letter dated 17 August 2009, Mr Yau Ming Kim, Robert agreed to act as an independent non-executive Director of the Company from 1 September 2009 until the conclusion of the next annual general meeting of the Company, at which he will be eligible for re-election at that meeting. The appointment of Mr Yau Ming Kim, Robert, if so re-elected, shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 11 to 13.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2009, the interests and short positions of each Director and Chief Executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company at 31 December 2009

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the Issued Share Capital of the Company
Mr. Lam Yin Kee	Long positions	6,949,000	–	*210,000,000	216,949,000	69.0
Ms. Yeung Po Wah	Long positions	–	*210,000,000	–	210,000,000	66.8

* These shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee.

(b) Share options of the Company at 31 December 2009

None of the Directors and Chief Executives has held any share options as at 31 December 2009.

REPORT OF THE DIRECTORS

(c) Interests in associated corporation, Profit International Holdings Limited (Ordinary shares of US$1 each)

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the Issued Share Capital of the associated corporation
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.00
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.00

(d) As part of the deferred consideration for the acquisition of a 51% owned subsidiary during the year ended 31 December 2008, the Company will issue a maximum of 5,500,000 (subject to adjustment) ordinary shares of HK$0.01 each of the Company, at an issue price of HK$2.8 per share, to Mr. Lam Yin Kee. Details of the acquisition and the number of shares to be issued to Mr. Lam Yin Kee are set out in the circular dated 3 July 2008 issued by the Company.

Saved as disclosed above, at no time during the year, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that at 31 December 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

REPORT OF THE DIRECTORS

		Number of shares			
Name		Personal interests	Nature of interest	Total	% of the Issued Share Capital of the Company
Profit International Holdings Limited	Long positions	210,000,000	Beneficially owned	210,000,000	66.8

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 31 December 2009, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	4.2%
– five largest suppliers combined	12.0%
Sales	
– the largest customer	32.1%
– five largest customers combined	56.1%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 39 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

Continuing connected transaction

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$100,000 for a period of two years from 1 April 2007 to 31 March 2009. Ms. Yeung Po Wah holds 60% of shareholding and is a director of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Therefore, the lease for renting the quarter constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules. The Company had made an announcement in respect of this continuing connected transaction on 4 April 2007. The aforesaid rental agreement has been renewed on 28 March 2009 for a period of two years from 1 April 2009 to 31 March 2011, at the same monthly rental of HK$100,000. The Company had made an announcement in respect of this continuing connected transaction due to the renewal of the tenancy agreement on 30 March 2009.

The aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the independent auditor of the Company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has reported the factual findings on the selected samples based on the agreed procedures to the Board of Directors.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2009 except for the followings:

Code Provision A.2.1

Mr Lam Yin Kee is the Chairman and the Chief Executive Officer of the Company but the daily operation and management of the Company is monitored by the executive Directors as well as the senior management to ensure the balance of power and authority.

Further information is set out in the Corporate Governance Report contained in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

INDEPENDENT AUDITOR

The financial statements for the year ended 31 December 2009 have been audited by PricewaterhouseCoopers, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Yin Kee
Chairman

Hong Kong, 21 April 2010

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 120, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	**449,388**	497,364
Cost of sales	6	**(369,713)**	(439,594)
Gross profit		**79,675**	57,770
Other income	5	**21**	21
Distribution expenses	6	**(3,593)**	(4,783)
Administrative expenses	6	**(52,817)**	(55,919)
Other losses – net	7	**(2,722)**	(2,479)
Operating profit/(loss)		**20,564**	(5,390)
Finance costs – net	8	**(3,890)**	(4,071)
Profit/(loss) before income tax		**16,674**	(9,461)
Income tax expense	12	**(5,848)**	(1,096)
Profit/(loss) for the year		**10,826**	(10,557)
Attributable to:			
Equity holders of the Company		**13,877**	(9,602)
Minority interest		**(3,051)**	(955)
		10,826	(10,557)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	14	**4.41**	(3.08)
– diluted	14	**4.37**	N/A

The notes on pages 44 to 120 are an integral part of these consolidated financial statements.

	Note	2009 HK$'000	2008 HK$'000
Dividends	15	**15,716**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**10,826**	(10,557)
Other comprehensive income/(loss)		
Fair value (loss)/gain on available-for-sale financial assets	**(4)**	131
Currency translation differences	**–**	873
Total comprehensive income/(loss) for the year	**10,822**	(9,553)
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the Company	**13,875**	(8,892)
Minority interest	**(3,053)**	(661)
	10,822	(9,553)

The notes on pages 44 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**55,622**	64,942
Leasehold land and land use rights	*17*	**2,021**	2,072
Intangible assets	*18*	**20,452**	20,508
Available-for-sale financial assets	*21*	**2,610**	3,613
Prepayments for non-current assets		**671**	2,894
Deferred income tax assets	*34*	**1,036**	2,660
Total non-current assets		**82,412**	96,689
Current assets			
Inventories	*22*	**72,900**	80,430
Trade receivables	*23*	**77,388**	89,495
Prepayments, deposits and other receivables	*23*	**7,561**	6,586
Amount due from a related company	*24*	**–**	8,218
Amount due from the ultimate holding company	*25*	**34**	29
Amounts due from minority shareholders of a subsidiary	*25*	**980**	557
Other financial assets at fair value through profit or loss	*26*	**6,899**	–
Derivative financial instruments	*27*	**388**	–
Pledged bank deposits	*38*	**3,433**	2,410
Cash and cash equivalents	*28*	**91,172**	64,796
Total current assets		**260,755**	252,521
Total assets		**343,167**	349,210
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*30*	**3,143**	3,143
Reserves			
Proposed final dividend	*15*	**9,430**	–
Others	*32(a)*	**169,380**	171,221
		181,953	174,364
Minority interests		**(3,938)**	(885)
Total equity		**178,015**	173,479

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	**40,622**	33,324
Deferred income tax liabilities	34	**1,430**	1,444
Total non-current liabilities		**42,052**	34,768
Current liabilities			
Trade payables	29	**47,665**	55,912
Accruals and other payables		**23,125**	26,363
Current income tax liabilities		**3,508**	2,136
Borrowings	33	**48,792**	55,202
Derivative financial instruments	27	**10**	1,350
Total current liabilities		**123,100**	140,963
Total liabilities		**165,152**	175,731
Total equity and liabilities		**343,167**	349,210
Net current assets		**137,655**	111,558
Total assets less current liabilities		**220,067**	208,247

Director
Lam Yin Kee

Director
Yeung Po Wah

The notes on pages 44 to 120 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**65,293**	65,698
Current assets			
Prepayments, deposits and other receivables		**205**	69
Cash and cash equivalents	28	**1,619**	798
Total current assets		**1,824**	867
Total assets		**67,117**	66,565
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	**3,143**	3,143
Reserves			
Proposed final dividend	15	**9,430**	–
Others	32(b)	**53,831**	62,887
Total equity		**66,404**	66,030
LIBAILITIES			
Current liabilities			
Accruals and other payables		**713**	535
Total equity and liabilities		**67,117**	66,565
Net current assets		**1,111**	332
Total assets less current liabilities		**66,404**	66,030

Director **Lam Yin Kee**

Director **Yeung Po Wah**

The notes on pages 44 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company					
	Note	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Proposed final dividend *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
Balance at 1 January 2008		3,130	63,680	123,988	12,520	6,956	210,274
Comprehensive loss							
Loss for the year		–	–	(9,602)	–	(955)	(10,557)
Other comprehensive income:							
Fair value gain on available-for-sale financial assets	*21*	–	67	–	–	64	131
Currency translation differences		–	643	–	–	230	873
Total other comprehensive income for the year		–	710	–	–	294	1,004
Total comprehensive income/(loss) for the year		–	710	(9,602)	–	(661)	(9,553)
Repurchase of shares		(42)	(8,245)	(42)	–	–	(8,329)
Shares issued for acquisition of a subsidiary	*30*	55	732	–	–	–	787
Acquisition of a subsidiary	*36*	–	–	–	–	(7,180)	(7,180)
Share options lapsed		–	(61)	61	–	–	–
Final dividend relating to 2007		–	–	–	(12,520)	–	(12,520)
Allocation to statutory reserve		–	750	(750)	–	–	–
Balance at 31 December 2008		3,143	57,566	113,655	–	(885)	173,479
Balance at 1 January 2009		3,143	57,566	113,655	–	(885)	173,479
Comprehensive income/(loss)							
Profit/(loss) for the year		–	–	13,877	–	(3,051)	10,826
Other comprehensive loss:							
Fair value loss on available-for-sale financial assets	*21*	–	(2)	–	–	(2)	(4)
Total other comprehensive loss for the year		–	(2)	–	–	(2)	(4)
Total comprehensive income/(loss) for the year		–	(2)	13,877	–	(3,053)	10,822
Share options lapsed		–	(353)	353	–	–	–
Interim dividend paid	*15*	–	–	(6,286)	–	–	(6,286)
Proposed final dividend	*15*	–	–	(9,430)	9,430	–	–
Allocation to statutory reserve		–	350	(350)	–	–	–
Balance at 31 December 2009		3,143	57,561	111,819	9,430	(3,938)	178,015

The notes on pages 44 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35	**39,471**	(10,127)
Interest income from bank deposits		**130**	1,434
Interest paid		**(4,020)**	(5,505)
PRC income tax paid		**(2,200)**	(2,658)
Hong Kong profits tax paid		**(666)**	(1,015)
Net cash generated from/(used in) operating activities		**32,715**	(17,871)
Cash flows from investing activities			
Decrease/(increase) in prepayments for non-current assets		**2,223**	(1,211)
Purchase of property, plant and equipment	16	**(11,175)**	(18,389)
Proceeds from sale of property, plant and equipment	35	**479**	264
Purchase of financial assets at fair value through profit or loss		**(7,847)**	(7,712)
Proceeds from sale of financial assets at fair value through profit or loss		**994**	7,614
Proceeds from sale of available-for-sale financial assets		**999**	–
Dividend income received from available-for-sale financial assets		**21**	21
Acquisition of a subsidiary, net of cash acquired	36	**–**	(17,748)
Loan to a subsidiary before acquisition		**–**	(2,000)
Net cash used in investing activities		**(14,306)**	(39,161)
Cash flows from financing activities			
Capital element of finance lease payments		**(1,328)**	(2,434)
Dividends paid to the Company's shareholders	15	**(6,286)**	(12,520)
Repayments of bank loans		**(20,884)**	(13,545)
Proceeds from bank loans		**42,000**	46,333
Increase in pledged bank deposits		**(1,023)**	(34)
Repurchase of shares of the Company	30	**–**	(8,329)
Net cash generated from financing activities		**12,479**	9,471
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**30,888**	(47,561)
Cash and cash equivalents, net of bank overdrafts at beginning of year		**48,139**	95,090
Exchange gains on cash and cash equivalents, net of bank overdrafts		**–**	610
Cash and cash equivalents, net of bank overdrafts at end of the year	28	**79,027**	48,139

The notes on pages 44 to 120 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Alltronics Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together the "Group") are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products and the manufacturing and trading of biodiesel products. Details of the activities of the principal subsidiaries are set out in Note 19 to the financial statements.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 April 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New/revised standards, amendments and interpretations effective from 1 January 2009 adopted by the Group, but have no significant impact on the Group's financial statements:

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on total equity and earnings/(loss) per share.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on total equity and earnings/(loss) per share.

- HKFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKAS 23, 'Borrowing costs'. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement. This has resulted in an increase in the number of reportable segments presented.

  In prior years, one operating segment was presented, which was the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products. In the current year upon the adoption of HKFRS 8 and after the completion of acquisition of biodiesel business in November 2008, an additional segment, the manufacturing and trading of biodiesel products, is presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive Directors of the Company who make strategic decisions.

New/revised standards, amendments and interpretations that have been issued but are not yet effective for 2009 and have not been early adopted by the Group:

HKFRS 1 (Revised)	'First-time adoption of HKFRS', effective for annual periods beginning on or after 1 July 2009
HKFRS 3 (Revised)	'Business combinations', effective for annual periods beginning on or after 1 July 2009
HKFRS 9	'Financial Instruments', effective for annual periods beginning on or after 1 January 2013
HKAS 24 (revised)	'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011
HKAS 27 (revised)	'Consolidated and separate financial statements', effective for annual periods beginning on or after 1 July 2009
Amendment to HKAS 32	'Clarification of Rights Issue', effective for annual periods beginning on or after 1 February 2010
Amendment to HKAS 39	'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Amendment to HK(IFRIC) 14	'Prepayment of a Minimum Funding Requirement', effective for annual periods beginning on or after 1 January 2011
HK(IFRIC) 17	'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009
HK(IFRIC) 19	'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010
Amendment to HKFRS 1	'Additional Exemptions for First-time Adopters', effective for annual periods beginning on or after 1 January 2010
Amendment to HKFRS 2	'Group Cash-settled Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2010

Improvements to HKFRS:

Amendment to HKFRS 2	'Share-based Payment', effective for annual periods beginning on or after 1 July 2009
Amendment to HKFRS 5	'Non-current assets held for sale and discontinued operations', first and second amendments to be effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively
Amendment to HKFRS 8	'Operating segments', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 1	'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 7	'Statement of cash flows', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 17	'Leases', effective for annual periods beginning on or after 1 January 2010

The Group has already commenced an assessment of the impact of the above new/revised standards, amendments and interpretations but is not yet in a position to state whether these new/revised standards, amendments and interpretations would have a significant impact to its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group‘s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (see Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (see Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of an associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in investment in an associate are recognised in the consolidated income statement.

In the Company's balance sheet the interest in an associate is stated at cost less provision for impairment losses (Note 2.7). The results of an associate are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK dollar"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, furniture and fixtures, office equipment, plant and machinery, leasehold improvements and motor vehicles. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2% – 20% or over the lease terms, whichever is shorter
Furniture and fixtures	9% – 20%
Office equipment	8% – 20%
Plant and machinery	9% – 20%
Leasehold improvements	16.67% – 20% or over the lease terms, whichever is shorter
Motor vehicles	9% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) – net, in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected life of five years of the customer relationship.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from the ultimate holding company", "amounts due from minority shareholders of a subsidiary", "pledged bank deposits" and "cash and cash equivalents" in the balance sheet (Notes 2.10 and 2.11).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(d) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other gains/(losses) – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in consolidated income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'other gains/(losses) – net'.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(e) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(e) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits

(a) *Pension obligations*

The Group operates defined contribution retirement schemes for its Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the income statement represent contributions paid or payable by the Group to the schemes.

The Group's contributions to the defined contribution retirement schemes in Hong Kong are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company participate in respective government retirement benefit schemes are required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the income statement as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Bonus plans*

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits (Continued)

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.19 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases (Continued)

(b) *Finance lease*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Changes in the fair value of these derivative instruments are recognised in the income statement within 'other gains/(losses) – net'.

2.22 Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other ventures in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets. The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sales or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the income statement when it is probable that the economic benefits associated with the transactions will follow to or from the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Management periodically analyses and reviews measures to manage the Group's exposures to these financial risks. Generally, the Group adopts a conservative strategy regarding its risk management and uses derivative financial instruments to hedge certain risk exposures.

Risk management is mainly carried out by the finance and accounts department (the "Finance and Accounts Department") under policies approved by the Board of Directors. The Finance and Accounts Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US dollar") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group engage in transactions mainly in HK dollar, US dollar and RMB to the extent possible. The Group manages its exposure through constant monitoring to minimise the amount of its foreign currencies exposures. Moreover, the Group enters into currency forwards with banks to manage the overall currency exposure. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance and Accounts Department of the Group is responsible for monitoring and managing the net position in each foreign currency.

Since HK dollar is pegged to US dollar, management considers that there is no significant foreign currency risk between these two currencies to the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group has certain investments and operations in the PRC, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations in the PRC is managed primarily through operating liabilities denominated in RMB.

For companies with HK dollar as their functional currency

At 31 December 2009, if HK dollar had weakened/strengthened by 10% against RMB with all other variables held constant, post tax profit for the year would have been HK$22,000 lower/higher (2008: loss of HK$144,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of RMB denominated trade and other payables, trade and other receivables and cash and bank balances.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except its bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arose from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The Group regularly seeks out the most favourable interest rates available for its bank deposits and borrowings. Information relating to interest rates of the Group's bank balances, deposits and borrowings are disclosed in Notes 28 and 33, respectively.

Moreover, the Group enters into interest rate swap agreements with banks to manage the overall interest exposure.

As at 31 December 2009, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$894,000 lower/higher (2008: loss of HK$885,000 higher/lower), mainly as a result of higher/lower interest expense on borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's equity investments held as available-for-sale are capital guaranteed funds which are not publicly traded. The Group does not actively trade in equity investments and in the opinion of the Board of Directors, the price risk related to trading activities to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosures for price risk have been prepared.

As at 31 December 2009, if the fair value of the equity securities listed in Hong Kong had increased/decreased by 10% with all other variables held constant, post-tax profit for the year would have been HK$690,000 higher/lower as a result of fair value gain/loss on equity securities classified as at other financial assets at fair value through profit or loss.

(b) Credit risk

Credit risk arises mainly from cash placed with banks, as well as credit exposures to customers. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits for each customer are set with reference to the internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. As at 31 December 2009, the Group's largest customer accounted for approximately 19.0% of total trade receivables (2008: 24.4%). This customer has more than 12 months trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard.

No credit limits were exceeded during the years ended 31 December 2009 and 2008, and management does not expect any material losses from non-performance by these counterparties.

The Group controls its credit risk on cash with banks through regular review of their credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Owing to the dynamic nature and continuous growth in business, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Group			
At 31 December 2009			
Bank borrowings, including interest payable	**35,068**	**41,480**	**76,548**
Obligations under finance leases	**736**	**376**	**1,112**
Bills payable	**1,731**	**–**	**1,731**
Trust receipt loans	**969**	**–**	**969**
Bank overdrafts	**12,145**	**–**	**12,145**
Trade payables, accruals and other payables	**70,790**	**–**	**70,790**
At 31 December 2008			
Bank borrowings, including interest payable	21,370	32,981	54,351
Obligations under finance leases	1,398	1,142	2,540
Bills payable	15,329	–	15,329
Trust receipt loans	1,759	–	1,759
Bank overdrafts	16,657	–	16,657
Trade payables, accruals and other payables	82,275	–	82,275

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Company			
At 31 December 2009			
Accruals and other payables	**713**	**–**	**713**
Financial guarantees given to subsidiaries	**65,294**	**–**	**65,294**
At 31 December 2008			
Accruals and other payables	535	–	535
Financial guarantees given to subsidiaries	72,887	–	72,887

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratios as at 31 December 2009 and 2008 are as follows:

	2009	2008
	HK$'000	*HK$'000*
Total borrowings	**89,414**	88,526
Less: Trade related debts	**(2,700)**	(17,088)
Cash and cash equivalents	**(91,172)**	(64,796)
Net debt	**N/A**	6,642
Total equity	**178,015**	173,479
Gearing ratio	**N/A**	3.8%

The Group did not have a net debt position as at 31 December 2009 and therefore no gearing ratio is presented.

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets	–	–	2,610	2,610
Financial assets at fair value through profit or loss	6,899	–	–	6,899
Derivative financial instruments	–	–	388	388
Total assets	6,899	–	2,998	9,897
Liabilities				
Derivative financial instruments	–	–	10	10
Total liabilities	–	–	10	10

The fair value of available-for-sale financial assets that are not traded in an active market is determined with reference to indicative market values provided by the issuers (Note 21).

The fair value of financial assets at fair value through profit or loss is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Available-for-sale financial assets and derivative financial instruments *HK$'000*
Opening balance	2,263
Disposal	(999)
Losses recognised in equity *(Note 21)*	(4)
Gains recognised in consolidated income statement	1,728
Closing balance	2,988
Total gains for the year included in profit or loss for assets held at the end of the reporting period	1,728

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

No impairment charge has been recognised during the years ended 31 December 2009 and 2008.

If the budgeted gross margin used in the value-in-use calculation had been 10% lower than management's estimates at 31 December 2009, or if the estimated pre-tax discount rate applied to the discounted cash flows for the cash-generating unit had been 1% higher than management's estimates, the estimated value-in-use amount would still exceed the carrying value of goodwill.

Goodwill amounting to a total of HK$19,931,000 was subjected to an impairment test in the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have suffered an impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of property, plant and equipment are determined based on value-in-use calculations which require the use of judgment and estimates.

(d) Estimated impairment provision for trade receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer. In making its judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Estimated provision for inventory

The Group makes provision for inventory based on consideration of obsolescence of raw materials and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventory and provision in the year in which such estimate is changed.

If the provision for inventory was to differ by 10% from management's estimates, the carrying value of inventory would have been HK$681,000 (2008: HK$728,000) higher/lower.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) Fair value estimation of derivative financial instruments and available-for-sale financial assets

The fair value of derivative financial instruments and available-for-sale financial assets which are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and each subsequent balance sheet date. The valuation model requires the input of both observable and unobservable data. Changes in these unobservable and subjective input assumptions can materially affect the fair value estimate of derivative financial instruments and available-for-sale financial assets.

(g) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.15, a deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and it is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised.

In determining the deferred income tax asset to be recognised, management is required to estimate the future applicable tax rate for each subsidiary of the Company at each tax jurisdiction and the profitability of each subsidiary, so as to estimate the future utilisation of tax losses.

Any difference between these estimates and the actual outcome will impact the Group's result in the period in which the actual outcome is determined.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive Directors that are used to make strategic decisions and assess performance.

For the year ended 31 December 2009, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide.

The Group considers the business from both a geographic and product perspective. From a product perspective, management assesses the performance of

(i) the electronic products segment – the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products;

(ii) the biodiesel products segment – the manufacturing and trading of biodiesel products in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

Revenue is allocated based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before interest and tax). Other information provided is measured in a manner consistent with that in the financial statements.

There were no sales between segments. All segment revenue reported is derived from external parties. The revenue from external parties reported to the executive Directors is measured in a manner consistent with that in the income statement.

In November 2008, the Group commenced the business of manufacturing and trading of biodiesel products after the acquisition of 51% equity interest in a subsidiary. The acquisition was completed on 27 November 2008.

	Electronic products *HK$'000*	**Biodiesel products** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2009			
Total segment revenue and revenue from external customers	**443,609**	**5,779**	**449,388**
Operating profit/(loss) before interest and tax	**30,456**	**(7,326)**	**23,130**
Finance income	**130**	**–**	**130**
Finance costs	**(2,980)**	**(1,040)**	**(4,020)**
Income tax expense	**(5,848)**	**–**	**(5,848)**
	21,758	**(8,366)**	**13,392**
Unallocated operating costs			**(2,566)**
Profit for the year			**10,826**
Other information:			
Depreciation and amortisation	**(16,302)**	**(1,039)**	**(17,341)**
Fair value gain on derivative financial instruments, net	**1,728**	**–**	**1,728**

5 SEGMENT INFORMATION (Continued)

	Electronic products *HK$'000*	Biodiesel products *HK$'000*	Total *HK$'000*
Year ended 31 December 2008			
Total segment revenue and revenue from external customers	497,157	207	497,364
Operating loss before interest and tax	(789)	(548)	(1,337)
Finance income	1,434	–	1,434
Finance costs	(5,461)	(44)	(5,505)
Income tax expense	(1,096)	–	(1,096)
	(5,912)	(592)	(6,504)
Unallocated operating costs			(4,053)
Loss for the year			(10,557)
Other information:			
Depreciation and amortisation	(16,271)	(85)	(16,356)
Fair value loss on derivative financial instruments, net	(1,350)	–	(1,350)

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

The Group is domiciled in Hong Kong. The Group's revenue by geographical location, which is determined by the places/countries in which the customer is located, is as follows:

	2009	2008
	HK$'000	*HK$'000*
The United States	**231,117**	229,987
Hong Kong	**119,382**	141,618
Europe	**39,614**	60,788
The PRC	**42,218**	21,079
Other countries	**17,057**	43,892
	449,388	497,364

For the year ended 31 December 2009, revenues of approximately HK$144,165,000 (2008: HK$143,185,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

	Electronic products	**Biodiesel products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
As at 31 December 2009			
Total segment assets	**326,589**	**14,754**	**341,343**
Unallocated:			
Cash and cash equivalents			**1,619**
Prepayments, deposits and other receivables			**205**
Total assets per consolidated balance sheet			**343,167**
Total segment liabilities	**146,111**	**18,328**	**164,439**
Unallocated:			
Accruals and other payables			**713**
Total liabilities per consolidated balance sheet			**165,152**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**10,984**	**191**	**11,175**

5 SEGMENT INFORMATION (Continued)

	Electronic products *HK$'000*	Biodiesel products *HK$'000*	Total *HK$'000*
As at 31 December 2008			
Total segment assets	333,044	15,300	348,344
Unallocated:			
Cash and cash equivalents			798
Prepayments, deposits and other receivables			68
Total assets per consolidated balance sheet			349,210
Total segment liabilities	162,978	12,218	175,196
Unallocated:			
Accruals and other payables			535
Total liabilities per consolidated balance sheet			175,731
Additions to non-current assets (other than financial instruments and deferred income tax assets)	15,006	3,383	18,389

Additions to non-current assets comprise additions to leasehold land and land use rights, property, plant and equipment and intangible assets including additions resulting from acquisition through business combinations.

5 SEGMENT INFORMATION (Continued)

The Group's non-current assets by geographical location, which is determined by the places/countries in which the asset is located, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**32,222**	35,567
The PRC	**50,190**	61,122
	82,412	96,689

	2009	2008
	HK$'000	*HK$'000*
Analysis of revenue by category:		
Sale of goods	**449,388**	497,364
Other income		
Dividend income from available-for-sale financial assets	**21**	21

6 EXPENSES BY NATURE

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold *(Note 22)*	**237,764**	286,599
(Reversal of)/provision for slow moving and obsolete inventories	**(479)**	2,967
Employee benefit expense – excluding Directors' emoluments *(Note 9)*	**90,367**	107,528
Employee benefit expense – Directors' emoluments *(Note 10)*	**6,158**	7,057
Depreciation *(Note 16)*		
– Owned property, plant and equipment	**16,484**	14,994
– Leased property, plant and equipment	**806**	1,312
(Reversal of)/provision for impairment of trade receivables *(Note 23)*	**(1,469)**	2,370
Amortisation of leasehold land and land use rights *(Note 17)*	**51**	50
Operating lease payments	**13,240**	11,592
Auditor's remuneration	**1,440**	1,496
Other expenses	**61,761**	64,331
Total of cost of sales, distribution expenses and administrative expenses	**426,123**	500,296

7 OTHER LOSSES – NET

	2009	2008
	HK$'000	*HK$'000*
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**46**	(98)
Fair value gain/(loss) on derivative financial instruments, net	**1,728**	(1,350)
Realised gain on derivative financial instruments	**275**	879
Net foreign exchange losses	**(2,657)**	(2,421)
(Loss)/gain on disposals of property, plant and equipment *(Note 35)*	**(770)**	52
Write-off of property, plant and equipment	**(1,956)**	–
Others	**612**	459
	(2,722)	(2,479)

8 FINANCE COSTS – NET

	2009	2008
	HK$'000	*HK$'000*
Interests on bank loans, trust receipt loans and bank overdrafts	**3,871**	5,289
Interest element of finance leases	**149**	216
Total finance costs	**4,020**	5,505
Less: Interest income from bank deposits	**(130)**	(1,434)
Finance costs – net	**3,890**	4,071

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2009	2008
	HK$'000	*HK$'000*
Wages and salaries	**80,301**	94,495
Pension costs – defined contribution plans *(Note 11)*	**764**	759
Staff welfare and allowances	**9,302**	12,274
	90,367	107,528

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits[1]	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Mr. Lam Yin Kee	–	2,392	–	1,200	–	12	3,604
Ms. Yeung Po Wah	–	746	–	–	–	12	758
Mr. So Kin Hung [2]	–	819	–	–	–	12	831
Mr. Toshio Daikai [3]	–	248	–	42	–	–	290
Non-executive Directors							
Mr. Fan Chung Yue, William	180	–	–	–	–	–	180
Ms. Yeung Chi Ying	180	–	–	–	–	–	180
Mr. Leung Kam Wah	180	–	–	–	–	–	180
Mr. Yau Ming Kim, Robert [4]	60	–	–	–	–	–	60
Mr. Barry John Buttifant [5]	75	–	–	–	–	–	75
	675	4,205	–	1,242	–	36	6,158

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name	Fees	Salary	Discret-ionary bonuses	Other benefits[1]	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Mr. Lam Yin Kee	–	2,338	–	1,200	–	12	3,550
Ms. Yeung Po Wah	–	786	–	–	–	12	798
Mr. So Kin Hung [2]	–	696	4	–	–	12	712
Mr. Toshio Daikai [3]	–	819	4	166	–	–	989
Non-executive Directors							
Mr. Fan Chung Yue, William	252	–	–	–	–	–	252
Ms. Yeung Chi Ying	252	–	–	–	–	–	252
Mr. Leung Kam Wah	252	–	–	–	–	–	252
Mr. Barry John Buttifant [5]	252	–	–	–	–	–	252
	1,008	4,639	8	1,366	–	36	7,057

1 Other benefits represent quarters and housing allowances for the Directors.
2 Mr. So Kin Hung was appointed from 1 August 2008.
3 Mr. Toshio Daikai resigned on 1 April 2009.
4 Mr. Yau Ming Kim, Robert was appointed from 1 September 2009.
5 Mr. Barry John Buttifant retired on 2 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

During the years ended 31 December 2009 and 2008, none of the Directors received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No Director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2008: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining three (2008: three) individuals during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**3,912**	3,488
Pension costs – defined contribution plan	**32**	24
Bonus	**–**	12
	3,944	3,524

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	–

11 PENSIONS – DEFINED CONTRIBUTION PLANS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong incorporated companies within the Group and their employees makes monthly contributions to the scheme at 5% of the employees' earnings up to a maximum of HK$1,000 per month per employee as defined under the Mandatory Provident Scheme Ordinances.

For the year ended 31 December 2009, the aggregate amount of the Group's contributions to the MPF Scheme was approximately HK$800,000 (2008: HK$795,000). As at 31 December 2009, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions under the MPF Scheme (2008: Nil).

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local governments, which is a defined contribution plan. The Group and its employees contribute approximately 10% and 8%, respectively, of the salary as specified by the relevant local governments, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**2,411**	630
– PRC enterprise income tax *(Note a)*	**1,835**	3,033
(Over)/under-provision in prior years	**(8)**	163
Deferred income tax *(Note 34)*	**1,610**	(2,730)
	5,848	1,096

NOTES TO THE FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE (Continued)

Note:

(a) PRC enterprise income tax has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC. As at 31 December 2009, the Company has five subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), Alltronics Tech. Mftg. Limited ("ATM"), Southchina Engineering and Manufacturing Limited ("Southchina"), 陽江華訊電子制品有限公司（"陽江華訊"）and 南盈科技發展（深圳）有限公司（"南盈"）. During the year ended 31 December 2009, Shenzhen Allcomm, ATM, Southchina and 南盈were subject to a standard income tax rate of 20% (2008: 18%) and 陽江華訊is subject to a standard income tax rate of 25% (2008: 25%) in accordance with the relevant applicable tax laws.

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the Company's home country tax rate as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**16,674**	(9,461)
Calculated at a taxation rate of 16.5% (2008: 16.5%)	**2,751**	(1,561)
Effect of different taxation rates in other countries	**184**	(91)
Income not subject to taxation	**(237)**	(268)
Expenses not deductible for tax purposes	**222**	428
(Over)/under-provision in prior years	**(8)**	163
Tax losses for which no deferred income tax asset was recognised	**2,405**	1,344
Effect of change in tax rate	**–**	(28)
Others	**531**	1,109
	5,848	1,096

13 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$6,660,000 (2008: HK$11,409,000).

14 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**13,877**	(9,602)
Weighted average number of ordinary shares in issue (thousand)	**314,320**	312,020
Basic earnings/(loss) per share (HK cents per share)	**4.41**	(3.08)

NOTES TO THE FINANCIAL STATEMENTS

14 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009
Profit attributable to equity holders of the Company (HK$'000)	13,877
Weighted average number of ordinary shares in issue (thousand)	314,320
Adjustments for share options (thousand)	2,971
	317,291
Diluted earnings per share (HK cents per share)	4.37

Diluted loss per share for the year ended 31 December 2008 was not presented as the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive.

15 DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend, paid, of HK2 cents (2008: HK$Nil) per ordinary share	**6,286**	–
Proposed final dividend of HK3 cents (2008: HK$Nil) per ordinary share *(Note a)*	**9,430**	–
	15,716	–

Note:

(a) The Board recommends the payment of a final dividend of HK3 cents per ordinary share, totalling HK$9,430,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 28 May 2010. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

Group

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008							
Cost	8,581	11,615	11,140	62,448	35,192	9,238	138,214
Accumulated depreciation	(1,407)	(6,911)	(6,190)	(42,932)	(19,120)	(4,126)	(80,686)
Net book amount	7,174	4,704	4,950	19,516	16,072	5,112	57,528
Year ended 31 December 2008							
Opening net book amount	7,174	4,704	4,950	19,516	16,072	5,112	57,528
Exchange differences	–	321	227	630	975	68	2,221
Acquisition of a subsidiary *(Note 36)*	–	85	66	1,207	1,964	–	3,322
Additions	–	527	3,621	4,325	8,710	1,206	18,389
Disposals	–	(12)	(48)	(105)	–	(47)	(212)
Depreciation	(173)	(1,006)	(1,785)	(6,523)	(5,294)	(1,525)	(16,306)
Closing net book amount	7,001	4,619	7,031	19,050	22,427	4,814	64,942

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Group	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008							
Cost	**8,581**	**12,653**	**14,718**	**68,694**	**47,820**	**9,701**	**162,167**
Accumulated depreciation	**(1,580)**	**(8,034)**	**(7,687)**	**(49,644)**	**(25,393)**	**(4,887)**	**(97,225)**
Net book amount	**7,001**	**4,619**	**7,031**	**19,050**	**22,427**	**4,814**	**64,942**
Year ended 31 December 2009							
Opening net book amount	**7,001**	**4,619**	**7,031**	**19,050**	**22,427**	**4,814**	**64,942**
Additions	**–**	**51**	**1,034**	**2,451**	**5,805**	**1,834**	**11,175**
Disposals	**–**	**(276)**	**(38)**	**(216)**	**(663)**	**(56)**	**(1,249)**
Write-off	**–**	**–**	**–**	**–**	**(1,956)**	**–**	**(1,956)**
Depreciation	**(173)**	**(985)**	**(2,042)**	**(5,007)**	**(7,553)**	**(1,530)**	**(17,290)**
Closing net book amount	**6,828**	**3,409**	**5,985**	**16,278**	**18,060**	**5,062**	**55,622**
At 31 December 2009							
Cost	**8,581**	**10,492**	**15,366**	**68,187**	**46,572**	**11,286**	**160,484**
Accumulated depreciation	**(1,753)**	**(7,083)**	**(9,381)**	**(51,909)**	**(28,512)**	**(6,224)**	**(104,862)**
Net book amount	**6,828**	**3,409**	**5,985**	**16,278**	**18,060**	**5,062**	**55,622**

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

In 1998, the Group entered into an arrangement with two independent third parties (the "Partners") for the development of certain manufacturing premises for the Group's use and staff quarters in Shenzhen and the Group's attributable interest in these buildings is 60%. These buildings are accounted for as jointly controlled assets of the Group.

As at 31 December 2009, the aggregate cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to HK$4,033,000 (2008: HK$8,508,000) and HK$2,273,000 (2008: HK$3,748,000), respectively.

Depreciation expense of HK$14,440,000 (2008: HK$14,431,000) has been charged in cost of sales and HK$2,850,000 (2008: HK$1,875,000) in administrative expenses respectively.

17 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,021**	2,072
Opening net book amount	**2,072**	2,122
Amortisation *(Note 6)*	**(51)**	(50)
Closing net book amount	**2,021**	2,072

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSET – GROUP

	Goodwill	Customers relationships	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008			
Cost and net book amount	11,672	–	11,672
Year ended 31 December 2008			
Opening net book amount	11,672	–	11,672
Acquisition of a subsidiary *(Note 36)*	8,315	521	8,836
Closing net book amount	19,987	521	20,508
At 31 December 2008			
Cost and net book amount	19,987	521	20,508
Year ended 31 December 2009			
Opening net book amount	19,987	521	20,508
Adjustment on consideration payable *(Note 36)*	(56)	–	(56)
Closing net book amount	19,931	521	20,452
At 31 December 2009			
Cost and net book amount	19,931	521	20,452

NOTES TO THE FINANCIAL STATEMENTS

18 INTANGIBLE ASSET – GROUP (Continued)

Impairment tests for goodwill

The goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of two subsidiaries, namely Southchina and Dynamic Progress International Limited ("Dynamic"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. Management considers Southchina and Dynamic as two separate cash-generating units (the 'CGUs'). The recoverable amount of the CGUs is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina and Dynamic, approved by management covering a five-year period. The pre-tax discount rate of 9.5% and 22.7% have been applied to the cash flow projections for Southchina and Dynamic respectively to reflect specific risks relating to the CGUs. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the goodwill as at 31 December 2009 and 2008.

The key assumptions used for the value-in-use calculation for Southchina are as follows:

Average gross margin	15.6%
Average growth rate	14.3%
Discount rate	9.5%

The key assumptions used for the value-in-use calculation for Dynamic are as follows:

Average gross margin	29.4%
Average growth rate	137.6%
Discount rate	22.7%

18 INTANGIBLE ASSET – GROUP (Continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted turnover, operating expenses and finance costs were projected with reference to the expected earnings from manufacturing and trading of plastic moulds, plastic and electronic accessories for Southchina and manufacturing and trading of biodiesel for Dynamic.

(b) For the business environment, there will be no change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any other countries in which Southchina and Dynamic operates.

(c) Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the business.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented as below.

	2009	2008
	HK$'000	*HK$'000*
Electronic products	**11,672**	11,672
Biodiesel products	**8,259**	8,315
	19,931	19,987

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted investments, at cost *(Note a)*	**2,377**	2,377
Due from subsidiaries *(Note b)*	**62,916**	63,321
	65,293	65,698

Notes:

(a) The following is a list of subsidiaries as at 31 December 2009:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Alltronics (BVI) Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%[1]
Alltronics Resources Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%[1]
Alltronics Tech. Mftg. Limited	Hong Kong, limited liability company	Research and development, manufacturing and trading of electronic products in Hong Kong and the PRC	500,000 ordinary shares of HK$1 each	100%
Allcomm (H.K.) Limited	Hong Kong, limited liability company	Investment holding and trading of electronic products in Hong Kong	2 ordinary shares of HK$1 each	100%
Shenzhen Allcomm Electronic Co. Ltd.	The PRC, limited liability company	Manufacturing of electronic products in the PRC	Registered capital of US$1,728,397	100%
Dynamic Progress International limited	Hong Kong, limited liability company	Manufacturing and trading of biodiesel in Hong Kong	10,000 ordinary shares of HK$1 each	51%

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (Continued)

(a) (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
WT Technology Development Company Limited	Hong Kong, limited liability company	Research and development of telecommunication products	10,000 ordinary shares of HK$1 each	65%
Southchina Engineering and Manufacturing Limited	Hong Kong, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	1,000,000 ordinary shares of HK$1 each	51%
陽江華訊電子制品有限公司	The PRC, limited liability company	Manufacturing of transformers, solenoids and other components for electronic products in the PRC	Registered capital of US$1,500,000	100%
南盈科技發展（深圳）有限公司	The PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$7,700,000	51%
Quant Electronics (HK) Limited	Hong Kong, limited liability company	Dormant	180,000 ordinary shares of HK$1 each	51%

[1] Shares held directly by the Company

(b) The amounts due from subsidiaries are unsecured, interest-free and are not expected to be repayable by subsidiaries within 12 months from the balance sheet date.

(c) Quant Electronics (HK) Limited has been dissolved on 19 March 2010.

20 INTEREST IN AN ASSOCIATE – GROUP

As at 31 December 2008, the Group had an indirect interest of 20.4% in TSC Manufacturing Limited (“TSC”). TSC ceased business and remained dormant since 1 July 2006, and has been dissolved on 15 September 2009.

NOTES TO THE FINANCIAL STATEMENTS

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2009	2008
	HK$'000	*HK$'000*
Unlisted capital guaranteed funds in Hong Kong:		
Beginning of the year	**3,613**	3,482
Fair value (losses)/gains transferred to equity	**(4)**	131
Disposal during the year	**(999)**	–
End of the year	**2,610**	3,613

There was no impairment provision on available-for-sale financial assets in 2009 and 2008.

As at 31 December 2009, available-for-sale financial assets with an aggregate carrying amount of HK$2,610,000 (2008: HK$3,613,000) were pledged to a bank to secure loan and overdraft facilities granted to Southchina (Note 38(c)). Available-for-sale financial assets are denominated in US dollar.

As these capital guaranteed funds are not publicly traded and in the absence of readily available information to determine the fair values of these capital guaranteed funds, the Group has adopted the indicative market values provided by the issuers as its best estimate of the fair values of these capital guaranteed funds.

22 INVENTORIES – GROUP

	2009	2008
	HK$'000	*HK$'000*
Raw materials	**44,341**	42,887
Work in progress	**12,663**	17,059
Finished goods	**15,896**	20,484
	72,900	80,430

The cost of inventories recognised as an expense and included in cost of inventories sold amounted to HK$237,764,000 (2008: HK$286,599,000).

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**77,388**	92,877
Less: provision for impairment of receivables	**–**	(3,382)
Trade receivables, net	**77,388**	89,495
Prepayments and deposits	**5,410**	6,204
Other receivables	**2,151**	382
Prepayments, deposits and other receivables	**7,561**	6,586
	84,949	96,081

As at 31 December 2008 and 2009, the fair values of trade receivables approximate their carrying amounts.

The Group's sales to corporate customers are entered into on credit terms of up to 90 days, except for certain credit worthy customers to whom a longer credit period is allowed.

The ageing analysis of trade receivables at the balance sheet dates is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**33,813**	47,506
31 – 60 days	**26,877**	22,563
61 – 90 days	**11,233**	10,854
91 – 120 days	**3,599**	8,181
121 – 365 days	**1,800**	2,308
Over 365 days	**66**	1,465
	77,388	92,877
Less: provision for impairment of receivables	**–**	(3,382)
	77,388	89,495

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP (Continued)

As at 31 December 2009, trade receivables of HK$26,386,000 (2008: HK$17,311,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**20,069**	140
31 – 60 days	**3,589**	6,798
61 – 90 days	**1,122**	3,774
91 – 120 days	**1,268**	4,669
121 – 365 days	**338**	1,930
	26,386	17,311

As at 31 December 2009, none of the trade receivables was impaired (2008: HK$3,382,000). The individually impaired receivables of HK$3,382,000 as at 31 December 2008 were mainly related to customers who were in unexpected difficult economic situations. The ageing of these receivables as at 31 December 2008 was as follows:

	2008
	HK$'000
91 – 120 days	1,496
121 – 365 days	467
Over 365 days	1,419
	3,382

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP (Continued)

The carrying amounts of the Group's trade receivables and other receivables are denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
US dollar	**66,979**	80,412
HK dollar	**8,194**	6,574
RMB	**3,651**	2,042
Japanese Yen	**426**	849
Euro dollar	**289**	–
	79,539	89,877

Movements on the provision for impairment of trade receivables are as follows:

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**3,382**	1,012
(Reversal of)/provision for impairment of receivables *(Note 6)*	**(1,469)**	2,370
Written off during the year as uncollectible	**(1,913)**	–
At 31 December	**–**	3,382

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement (Note 6). The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP (Continued)

Credit quality analysis of the Group's fully performing trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Existing customers (more than 12 months) with no defaults in the past	**48,708**	69,039
New customers (less than 12 months)	**2,294**	3,145
	51,002	72,184

As at 31 December 2009, the Group's trade receivables of HK$1.7 million (2008: HK$2.1 million) were pledged with banks to secure banking facilities granted to the Group (Note 38(d)).

24 AMOUNT DUE FROM A RELATED COMPANY – GROUP

The balance as at 31 December 2008 (2009: Nil) represented trade receivable from a related company, Maruman Products Co. Ltd. ("Maruman") which is unsecured, interest-free with a credit term of 60 days. Mr. Lam Yin Kee, the Chairman and an executive Director of the Company, has a 24.7% equity interest in Maruman.

The balance is denominated in HK dollar.

25 AMOUNTS DUE FROM THE ULTIMATE HOLDING COMPANY AND MINORITY SHAREHOLDERS OF A SUBSIDIARY – GROUP

The balances due from the ultimate holding company and minority shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

The balances are denominated in HK dollar.

26 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2009	2008
	HK$'000	*HK$'000*
Listed securities:		
Equity securities – Hong Kong, at market values	**6,899**	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains/(losses) – net in the consolidated income statement (Note 7). The fair value of all equity securities is based on their current bid prices in an active market.

27 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

(a) Forward foreign exchange contract

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2009 was US$11,000,000 (approximate HK$85,800,000) (2008: US$2,000,000). Changes in fair values of derivative financial instruments are recorded in 'other gains/(losses) – net' in the consolidated income statement.

(b) Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at 31 December 2009 was HK$20,000,000 (2008: HK$20,000,000). Changes in fair values of derivatives financial instruments are recorded in 'other gains/(losses) – net' in the consolidated income statement.

28 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and on hand	**91,172**	64,796	**1,619**	798
Maximum exposure to credit risk	**89,942**	63,901	**1,619**	798
Denominated in:				
– US dollar	**67,236**	47,245	**–**	–
– HK dollar	**7,550**	7,451	**1,619**	798
– RMB	**16,022**	10,063	**–**	–
– Other currencies	**364**	37	**–**	–
	91,172	64,796	**1,619**	798

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**91,172**	64,796	**1,619**	798
Bank overdrafts *(Note 33)*	**(12,145)**	(16,657)	**–**	–
	79,027	48,139	**1,619**	798

The Group's cash and bank balances of approximately HK$16,022,000 and HK$10,063,000 as at 31 December 2009 and 2008, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

29 TRADE PAYABLES – GROUP

The ageing analysis of the trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**23,141**	25,999
31 – 60 days	**18,006**	24,036
61 – 90 days	**4,600**	3,816
91 – 120 days	**1,007**	509
121 – 365 days	**619**	1,260
Over 365 days	**292**	292
	47,665	55,912

The fair values of trade payables approximate their carrying values.

30 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2008: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
314,320,000 (2008: 314,320,000) ordinary shares of HK$0.01 each	**3,143**	3,143

30 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY (Continued)

A summary of the movements of the Company's issued ordinary share capital and share premium account is as follows:

	Note	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2008		312,990,000	3,130	50,157	53,287
Repurchase of shares	*(a)*	(4,170,000)	(42)	(8,287)	(8,329)
Shares issued upon acquisition of a subsidiary	*(b)*	5,500,000	55	732	787
At 31 December 2008 and 31 December 2009		**314,320,000**	**3,143**	**42,602**	**45,745**

Notes:

(a) During the year ended 31 December 2008, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$'000*
August 2008	4,170,000	2.45	1.70	8,329

The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$8,287,000 was charged to share premium.

(b) During the year ended 31 December 2008, the Company issued a total of 5,500,000 shares, credited as fully paid, as the initial consideration for the acquisition of a subsidiary, Dynamic (Note 36).

31 SHARE-BASED PAYMENT TRANSACTIONS

On 22 June 2005, the Company adopted a share option scheme (the "Share Option Scheme") for the primary purpose of providing incentives or rewards to employees and Directors of the Company or any of its subsidiaries and any supplier and/or sub-contractor of the Group (the "Participants") for their contributions or potential contributions to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 15 July 2005, the listing date. The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded. Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve–month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

NOTES TO THE FINANCIAL STATEMENTS

31 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day; and

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

During the years ended 31 December 2009 and 2008, no share options were granted, exercised or cancelled. A total of 600,000 share options have been lapsed during the year ended 31 December 2009 (2008: 510,000).

During the years ended 31 December 2009 and 2008, there were no share option expenses in relation to the share options attributable to Directors and employees of the Company recognised by the Company or by the main operating subsidiaries of the Company.

As at 31 December 2009, no share option had been granted and remained outstanding under the Share Option Scheme. As at 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 600,000, representing 0.19% of the total number of shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by employees and Directors and movements in such holding during the year ended 31 December 2009:

	Number of share options					
	Held at 1 January 2009	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Held at 31 December 2009	Exercise price per share (HK$)
Executive Directors	–	–	–	–	–	–
Other employees	600,000	–	–	(600,000)	–	2.94
Total	600,000	–	–	(600,000)	–	

32 RESERVES – GROUP AND COMPANY

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve (note a) HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2008	50,157	5,799	3,314	3,907	89	414	–	123,988	12,520	200,188
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	–	(9,602)	–	(9,602)
Other comprehensive income:										
Fair value gain on available-for-sale financial assets *(Note 21)*	–	–	–	–	67	–	–	–	–	67
Currency translation differences	–	–	–	643	–	–	–	–	–	643
Total other comprehensive income for the year	–	–	–	643	67	–	–	–	–	710
Total comprehensive income/(loss) for the year	–	–	–	643	67	–	–	(9,602)	–	(8,892)
Employee share option scheme – lapse of share options *(Note 31)*	–	–	–	–	–	(61)	–	61	–	–
Shares issued for acquisition of a subsidiary *(Note 36)*	732	–	–	–	–	–	–	–	–	732
Repurchases of shares	(8,287)	–	–	–	–	–	42	(42)	–	(8,287)
Final dividend relating to 2007	–	–	–	–	–	–	–	–	(12,520)	(12,520)
Allocation to statutory reserve	–	–	750	–	–	–	–	(750)	–	–
Balance at 31 December 2008	42,602	5,799	4,064	4,550	156	353	42	113,655	–	171,221

NOTES TO THE FINANCIAL STATEMENTS

32 RESERVES-GROUP AND COMPANY (Continued)

(a) Group (Continued)

	Share premium	Capital reserve	Statutory reserve *(note a)*	Exchange reserve	Revaluation reserve	Share option reserve	Capital redemption reserve	Retained earnings	Proposed dividend	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	42,602	5,799	4,064	4,550	156	353	42	113,655	–	171,221
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	13,877	–	13,877
Other comprehensive loss:										
Fair value loss on available-for -sale financial assets *(Note 21)*	–	–	–	–	(2)	–	–	–	–	(2)
Total other comprehensive loss for the year	–	–	–	–	(2)	–	–	–	–	(2)
Total comprehensive income/ (loss) for the year	–	–	–	–	(2)	–	–	13,877	–	13,875
Employee share option scheme – lapse of share options *(Note 31)*	–	–	–	–	–	(353)	–	353	–	–
Interim dividend paid	–	–	–	–	–	–	–	(6,286)	–	(6,286)
Proposed final dividend	–	–	–	–	–	–	–	(9,430)	9,430	–
Allocation to statutory reserve	–	–	350	–	–	–	–	(350)	–	–
Balance at 31 December 2009	42,602	5,799	4,414	4,550	154	–	42	111,819	9,430	178,810

Note a:

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries.

32 RESERVES – GROUP AND COMPANY (Continued)

(b) Company

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2008	50,157	414	–	8,462	12,520	71,553
Comprehensive income						
Profit for the year	–	–	–	11,409	–	11,409
Total comprehensive income for the year	–	–	–	11,409	–	11,409
Shares issued upon acquisition of a subsidiary	732	–	–	–	–	732
Employee share option scheme						
– lapsed of share options *(Note 31)*	–	(61)	–	61	–	–
Repurchase of shares *(Note 30)*	(8,287)	–	42	(42)	–	(8,287)
Final dividend relating to 2007	–	–	–	–	(12,520)	(12,520)
Balance at 31 December 2008	42,602	353	42	19,890	–	62,887
Balance at 1 January 2009	**42,602**	**353**	**42**	**19,890**	**–**	**62,887**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**6,660**	**–**	**6,660**
Total comprehensive income for the year	**–**	**–**	**–**	**6,660**	**–**	**6,660**
Employee share option scheme						
– lapsed of share options *(Note 31)*	**–**	**(353)**	**–**	**353**	**–**	**–**
Interim dividend paid	**–**	**–**	**–**	**(6,286)**	**–**	**(6,286)**
Proposed final dividend	**–**	**–**	**–**	**(9,430)**	**9,430**	**–**
Balance at 31 December 2009	**42,602**	**–**	**42**	**11,187**	**9,430**	**63,261**

33 BORROWINGS – GROUP

	2009	2008
	HK$'000	*HK$'000*
Bank loans, secured *(Notes a and Note 38)*	**73,500**	52,384
Obligations under finance leases *(Note b)*	**1,069**	2,397
Bills payable, secured *(Note 38)*	**1,731**	15,329
Trust receipt loans, secured *(Note 38)*	**969**	1,759
Bank overdrafts, secured *(Note 38)*	**12,145**	16,657
Total borrowings, wholly repayable within five years	**89,414**	88,526
Current portion of borrowings	**(48,792)**	(55,202)
Long-term borrowings	**40,622**	33,324

Notes:

(a) Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 38.

The Group's bank loans were repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**33,248**	20,159
In the second year	**22,699**	23,568
In the third to fifth year	**17,553**	8,657
	73,500	52,384

The carrying amounts of the bank borrowings approximate their fair values.

33 BORROWINGS – GROUP (Continued)

Notes: (Continued)

(b) The Group's finance lease liabilities were repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**736**	1,398
In the second year	**376**	766
In the third to fifth year	**–**	376
	1,112	2,540
Future finance charges on finance leases	**(43)**	(143)
Present value of finance lease liabilities	**1,069**	2,397

The present value of finance lease liabilities is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**699**	1,298
In the second year	**370**	729
In the third to fifth year	**–**	370
	1,069	2,397

(c) The average effective interest rates at the balance sheet date were as follows:

	2009	2008
Bank loans	**3.2%**	3.9%
Obligations under finance leases	**5.3%**	5.5%
Bills payable	**6.1%**	5.0%
Trust receipt loans	**5.5%**	5.5%
Bank overdrafts	**6.0%**	5.7%

NOTES TO THE FINANCIAL STATEMENTS

34 DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2009	2008
	HK$'000	*HK$'000*
Deferred income tax assets:		
–Deferred income tax asset to be recovered after more than 12 months	**(1,036)**	(2,660)
Deferred income tax liabilities:		
–Deferred income tax liabilities to be settled after more than 12 months	**1,430**	1,444

The gross movement on the deferred income tax account is as follows:

	2009	2008
	HK$'000	*HK$'000*
Beginning of the year	**(1,216)**	1,514
Charged/(credited) to the consolidated income statement *(Note 12)*	**1,610**	(2,730)
End of the year	**394**	(1,216)

34 DEFERRED INCOME TAX – GROUP (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	**Provision**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	–	(54)	(54)
Credited to the income statement	(1,583)	(1,023)	(2,606)
At 31 December 2008	(1,583)	(1,077)	(2,660)
Charged to the income statement	1,583	41	1,624
At 31 December 2009	**–**	**(1,036)**	**(1,036)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2009, the Group has estimated unrecognised tax losses of HK$31,467,000 (2008: HK$16,889,000) to carry forward against future taxable income. Except for the estimated tax losses of HK$12,384,000 (2008: HK$5,482,000) expiring within five years, the tax losses have no expiry.

Deferred income tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2008	1,568
Credited to the income statement	(124)
At 31 December 2008	1,444
Credited to the income statement	(14)
At 31 December 2009	**1,430**

34 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities of HK$917,000 have not been recognised as at 31 December 2009 (2008: HK$527,000) for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries. Unremitted earnings totalled HK$40,994,000 at 31 December 2009 (2008: HK$37,087,000).

35 CASH GENERATED FROM/(USED IN) OPERATIONS

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**16,674**	(9,461)
Adjustments for:		
Depreciation *(Note 16)*	**17,290**	16,306
Amortisation of leasehold land and land use rights *(Note 17)*	**51**	50
Loss/(gain) on disposals of property, plant and equipment	**770**	(52)
Write-off of property, plant and equipment	**1,956**	–
Fair value (gain)/loss on financial assets at fair value through profit or loss, net *(Note 7)*	**(46)**	98
Fair value (gain)/loss on derivative financial instruments *(Note 7)*	**(1,728)**	1,350
(Reversal of)/provision for impairment of trade receivables *(Note 23)*	**(1,469)**	2,370
Dividend income from available-for-sale financial assets *(Note 5)*	**(21)**	(21)
Finance costs – net *(Note 8)*	**3,890**	4,071
	37,367	14,711
Changes in working capital:		
Trade receivables	**13,576**	(27,131)
Prepayments, deposits and other receivables	**(975)**	(1,708)
Inventories	**7,530**	3,381
Amounts due from minority shareholders of a subsidiary	**(423)**	967
Amount due from the ultimate holding company	**(5)**	–
Amount due from a related company	**8,218**	(7,709)
Bills payable and trust receipt loans	**(14,388)**	3,050
Trade payables	**(8,247)**	2,529
Accruals and other payables	**(3,182)**	1,783
Cash generated from/(used in) operations	**39,471**	(10,127)

35 CASH GENERATED FROM/(USED IN) OPERATIONS (Continued)

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2009	2008
	HK$'000	*HK$'000*
Net book amount *(Note 16)*	**1,249**	212
(Loss)/gain on disposal of property, plant and equipment	**(770)**	52
Proceeds from disposal of property, plant and equipment	**479**	264

36 BUSINESS COMBINATIONS

On 27 November 2008, the Group completed its acquisition of 51% equity interests in Dynamic, a company engaging in biodiesel business in Hong Kong, from Mr. Lam Yin Kee, a Director of the Company, at an initial consideration of 5,500,000 shares of the Company, issued at a price of HK$2.8 per share. A contingent consideration, which will be determined based on the level of Dynamic's profit for 2009 and to be settled by the issuance of the Company's shares, will also be payable. The Group also acquired a shareholder's loan outstanding from Dynamic to Mr. Lam Yin Kee amounted to HK$10 million on 27 November 2008, for a cash consideration of HK$10 million.

The revenue and net loss contributed by Dynamic to the Group for the period from 27 November 2008 to 31 December 2008 were approximately HK$207,000 and HK$581,000 respectively. If the acquisition had occurred on 1 January 2008, Group revenue would have been increased by approximately HK$2,331,000 and loss before income tax would have been increased by HK$5,697,000.

Details of intangible assets, net liabilities acquired and goodwill are as follows:

	HK$'000
Fair value of consideration shares issued	787
Fair value of estimated deferred consideration shares to be issued	56
Purchase consideration	843
Fair value of net liabilities acquired	7,472
Goodwill on acquisition of 51% equity interests in Dynamic *(Note 18)*	8,315

The goodwill is attributable to the high potential of future profitability of the acquired business. The fair value of consideration shares issued and deferred consideration shares to be issued is based on the closing market price of the Company's shares as of 27 November 2008 and 31 December 2008 respectively.

NOTES TO THE FINANCIAL STATEMENTS

36 BUSINESS COMBINATIONS (Continued)

The fair value and carrying amount of the assets and liabilities as of 27 November 2008 arising from the acquisition were as follows:

	Fair value	**Acquiree's carrying amount**
	HK$'000	*HK$'000*
Cash and cash equivalents	(7,748)	(7,748)
Property, plant and equipment *(Note 16)*	3,322	3,322
Customer relationships *(Note 18)*	521	–
Inventories	364	364
Accounts receivable	217	217
Deposits, prepayments and other receivables	1,109	1,109
Accounts payable	(172)	(172)
Accruals and other payables	(265)	(265)
Short-term loan due to a related company	(2,000)	(2,000)
Shareholder's loan	(10,000)	(10,000)
Net liabilities	(14,652)	(15,173)
Minority interests' share of net liabilities (49%)	7,180	
Goodwill	8,315	
Total consideration paid	843	
Satisfied by:		
Fair value of consideration shares issued	787	
Fair value of deferred consideration shares *(Note)*	56	
	843	

36 BUSINESS COMBINATIONS (Continued)

	Acquiree's carrying amount *HK$'000*
Purchase consideration settled in cash	–
Purchase of a shareholder's loan	(10,000)
Cash and cash equivalents in subsidiary acquired	(7,748)
Cash outflow on acquisition	(17,748)

Note:

As at 31 December 2009, the contingent consideration of HK$56,000 has been reversed against goodwill since the profit requirement for 2009 was not fulfilled (Note 18) and therefore the contingent consideration is not payable.

37 COMMITMENTS – GROUP

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Property, plant and equipment		
Contracted but not provided for	**175**	841
Authorised but not contracted for	**–**	–
	175	841

(b) Operating lease commitments

The Group leases various offices, warehouses and quarters under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Not later than 1 year	**10,269**	12,932
Later than 1 year and not later than 5 years	**9,826**	12,701
	20,095	25,633

NOTES TO THE FINANCIAL STATEMENTS

38 BANKING FACILITIES

As at 31 December 2009, the Group's total available banking facilities amounted to approximately HK$417 million (2008: HK$351 million), of which approximately HK$329 million (2008: HK$262 million) was unutilised. The facilities were secured by the following:

(a) corporate guarantees given by the Company (Note 39);

(b) pledge of the Group's fixed deposits of approximately HK$3.4 million (2008: HK$2.4 million);

(c) available-for-sale financial assets with carrying value totaling approximately HK$2.6 million (2008: HK$3.6 million); and

(d) the Group's trade receivables of HK$1.7 million (2008: HK$2.1 million) (Note 23).

The banking facilities granted to Southchina and Dynamic are also secured by personal guarantees given by Mr. Lam Yin Kee, a Director of the Company and other minority shareholders of Southchina and Dynamic.

39 RELATED PARTY TRANSACTIONS

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owned 66.8% of the Company's shares as at 31 December 2009 (2008: 66.8%). In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company.

(a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods and moulds to Maruman (i)	**7,681**	23,398
Rental expenses paid to Profit Home Investments Limited (ii)	**1,200**	1,200

(i) Maruman is a company incorporated in Japan and owned as to 24.7% by Mr. Lam Yin Kee, a Director of the Company. Maruman is engaged in the business of trading of general merchandise.

(ii) Ms. Yeung Po Wah is a Director of the Company, and has a 60% equity interest in Profit Home Investments Limited.

39 RELATED PARTY TRANSACTIONS (Continued)

Significant related party transactions between the Company and its subsidiaries were as follows:

	Company	
	2009	2008
	HK$'000	*HK$'000*
Financial guarantees given to subsidiaries (Note 38 (a))	**65,294**	72,887

(b) Year end balances arising from the related parties transactions as disclosed in note (a) above were as follows:

	2009	2008
	HK$'000	*HK$'000*
Amount due from a related company *(Note 24)*	**–**	8,218

Amount due from a related company was aged less than one year and was unsecured, non-interest bearing and with normal credit terms of 60 days.

(c) Key management compensation

	2009	2008
	HK$'000	*HK$'000*
Directors' fees	**675**	1,008
Salaries and other short-term employee benefits	**13,891**	14,316
Post-employment benefits	**136**	134
	14,702	15,458

(d) Acquisition of a subsidiary

On 27 November 2008, the Group acquired 51% equity interest in Dynamic from Mr. Lam Yin Kee, a Director of the Company. Details of the transaction are disclosed in Note 36.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2009:

	Year ended 31 December				
	2009	2008	2007	2006	2005
Results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**449,388**	497,364	575,080	592,318	316,903
Profit/(loss) before income tax	**16,674**	(9,461)	61,892	54,586	33,945
Income tax expense	**(5,848)**	(1,096)	(11,163)	(9,439)	(7,010)
Profit/(loss) for the year	**10,826**	(10,557)	50,729	45,147	26,935
Minority interest	**3,051**	955	(1,812)	(1,362)	–
Profit/(loss) attributable to equity holders of the Company	**13,877**	(9,602)	48,917	43,785	26,935
Assets and liabilities					
Total assets	**343,167**	349,210	337,348	345,283	319,939
Total liabilities	**(165,152)**	(175,731)	(127,074)	(176,599)	(184,867)
Total equity	**178,015**	173,479	210,274	168,684	135,072

Notes:

(1) The results of the Group for each of the two years ended 31 December 2009 and 2008 and its assets and liabilities as at 31 December 2009 and 2008 are those set out on pages 37 to 40 of this report and are presented on the basis as set out in note 2 to the financial statements.