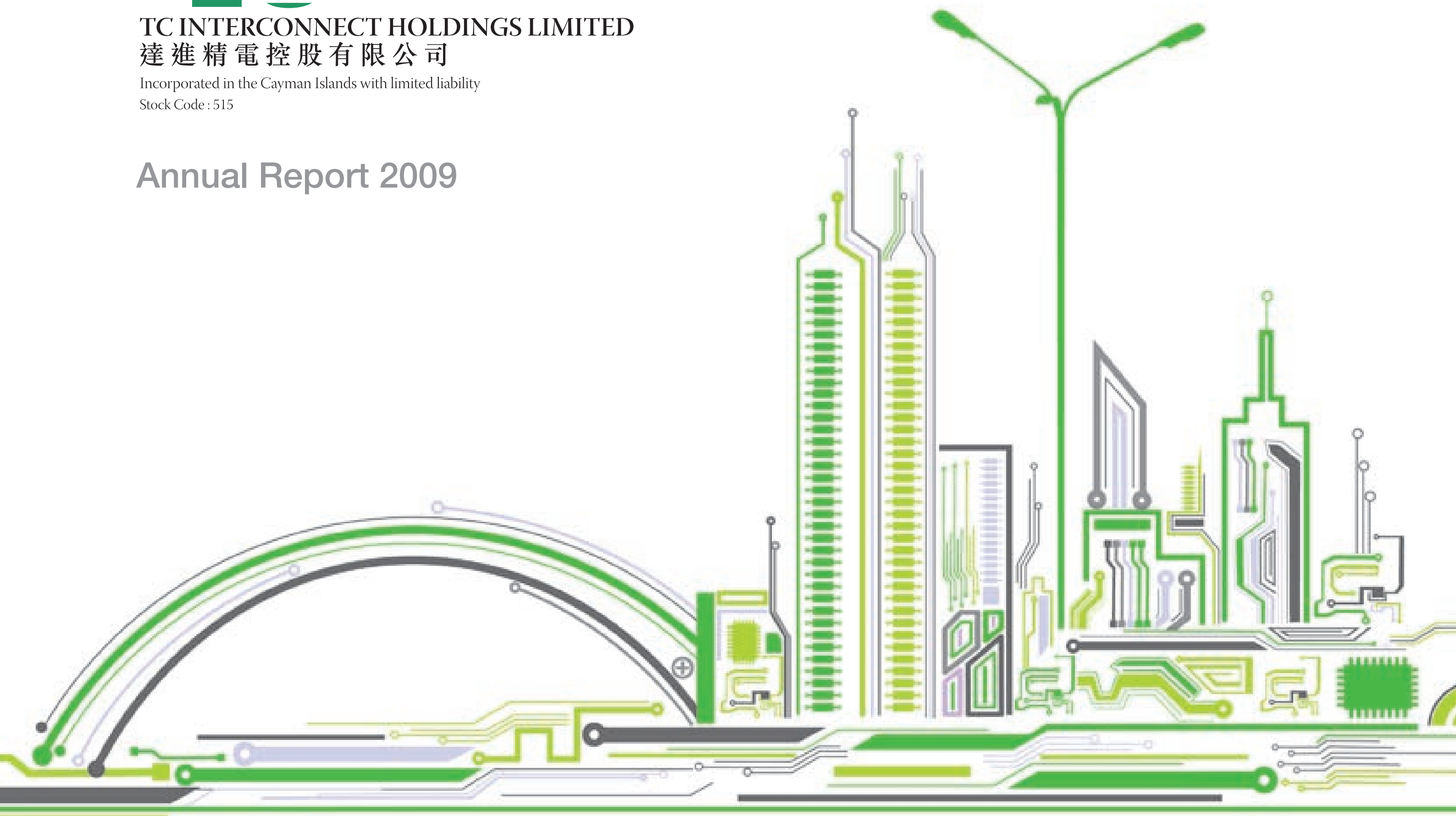
TC INTERCONNECT HOLDINGS LIMITED
達進精電控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 515

Annual Report 2009



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Pak Shek Kuen

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Pak Shek Kuen, *CPA FCCA*

AUTHORISED REPRESENTATIVES

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

HEAD OFFICE

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

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu

MEDIA AND INVESTOR RELATIONS

Jovian Financial Communications Ltd

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhongshan Branch, Guangdong, the PRC
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Citic Ka Wah Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Ray Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

515

WEB-SITE

www.tatchun.com

Dear Shareholders,

On behalf of the Board of Directors ("Board of Directors") of TC Interconnect Holdings Limited (the "Company"), and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the Group's result for the year ended 31 December 2009.

In 2009, facing tough business environment of PCB industry, the Group consolidated its business focus, and shelved its expansion plan for production capacity. Yet, the management holds an optimistic view on the business prospects of PCB business in 2010 given the long term relationship with its customers and promising outlook of upcoming projects. The Group is confident to securing larger market share and improving its profitability through optimization of production facilities, consistent cost control measures and comprehensive sales and marketing networks.

On the other hand, the Board takes an open view to explore high growth and potential projects in order to broaden the Group's income stream and increase the shareholders' value. The Group realizes the business potential of energy saving products and the LED lighting business. Upon the formation of a joint venture company in LED business (the "JV Company") with 深圳市東方光電股份有限公司 (Orient Opto-Semiconductors Corp.*) ("Dongfang"), a limited company incorporated under the laws of the PRC, which is expected to be established by May 2010 upon the approval of shareholders in an extraordinary shareholders' meeting, the Group will further diversify the product range, improve its products' structure and enhance its anti-risk ability and profitability.

The Directors believe, upon the commencement of LED lighting business, the technology-driven JV Company will be ready to tap the high growth LED road lamp replacement market in China. The JV Company will operate with complete value chain in LED lighting systems, i.e. R&D, manufacture, LED packaging and installation of LED lighting systems, including decorative lights and high power lights. Since the signing of the non-legally binding memorandum of understanding dated 28 September 2009 in relation to the formation of the JV Company and the Acquisition and during the course of the formation of the JV Company, the Group and Dongfang have already made significant efforts to start up certain LED lighting business negotiations and arrangements, with encouraging prospects so far. As a starting point, the JV Company will focus its business in cities such as Yangzhou of Jiangsu Province, Chengdu of Sichuan Province, and Foshan, Shenzhen and Guangzhou of Guangdong Province.

To signify a milestone for the Group's urban LED lighting business, the Company has established a landmark foothold in Yangzhou, Jiangsu Province. The move is to tap the eastern China market and a memorandum of understanding was signed on 19 November 2009 with the management committee of Yangzhou Economic Development Zone. The Group has also signed an agreement with the management committee of the South West Airport Economic Development Zone in Shuangliu County, Chengdu, Sichuan Province on 30 December 2009 to kick off another key project to develop the LED lighting business in south-western China. The Group is pleased to execute its LED business as planned. By kicking off the urban LED lamp market in Yangzhou and Chengdu, the Group's confidence to tap the high potential of LED market in the PRC has been enhanced. The Group plans to establish footholds in different regions in order to explore markets nearby.

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

Sincerely yours,

Yeung Hoi Shan
Chairman

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

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2009, except the deviation disclosed in the following paragraph:

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

DIRECTORS

The Board

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

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises eight members, consisting of two executive directors, three non-executive directors and three independent non-executive directors. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 14 to 15 of the Annual Report.

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

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

DIRECTORS *(continued)*

The Board *(continued)*

The Company has held 5 board meetings during the year ended 31 December 2009 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan (Chairman)	5/5
Pak Shek Kuen	5/5
Non-executive directors	
Li Jin Xia	3/5
Yeung Tai Hoi	3/5
Cheung Kwok Ping	4/5
Independent non-executive directors	
Cheung Sui Wing, Darius	5/5
Ho Man Kay	5/5
Wong Siu Fai, Albert	5/5

Appointment, re-election and removal

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

Responsibilities of directors

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

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

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

Insurance

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

DIRECTORS *(continued)*

Insurance *(continued)*

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

Supply of and access to information

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

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

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2009, the Remuneration Committee held 2 meetings. The attendance of each member is set out as follows:

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

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 12 to the financial statements. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

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

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

Internal controls

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. Since 2008, the Board has maintained a special task force internally to review the effectiveness of the system. During the course of internal review in 2009, no material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

Audit Committee

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

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

Three Audit Committee meetings were held in 2009 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

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

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

The Company's annual results for the year ended 31 December 2009 has been reviewed by the Audit Committee.

Apart from the Audit Committee meetings, the three independent non-executive directors have met with the auditors, in the absence of management, to discuss matters relating to the Company's audit fees and other issues arising from the audit for the year ended 31 December 2009. No special attentions have been made to the management of the Company with respect to this meeting.

Fee paid/payable to Group's auditors
For the financial year ended 31 December 2009, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,363
Non-audit services	
– Taxation services	547
– Interim review	297
– Others	–

DELEGATION BY THE BOARD

Management functions

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

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

COMMUNICATION WITH SHAREHOLDERS

Effective communication

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

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

Voting by poll

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

BUSINESS REVIEW

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

	Year 2009		Year 2008		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Single-sided	**197,837**	**26.8**	199,836	23.8	(1,999)	(1.0)
Double-sided	**216,971**	**29.3**	309,102	36.9	(92,131)	(29.8)
Multi-layered	**324,506**	**43.9**	329,932	39.3	(5,426)	(1.6)
Total	**739,314**	**100.0**	838,870	100.0	(99,556)	(11.9)

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the year, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 54% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 44% of turnover. During the year, the Group has successfully expanded its business in automotive and multimedia markets.

The Group's turnover by geographical regions are summarized as follows:

	Year 2009		Year 2008		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Hong Kong	**215,675**	**29**	219,148	26	(3,473)	(2)
PRC	**140,240**	**18**	110,897	13	29,343	26
Asia (Excluding Hong Kong & PRC)	**241,538**	**33**	331,323	39	(89,785)	(27)
Europe	**79,870**	**11**	147,839	18	(67,969)	(46)
Others	**61,991**	**9**	29,663	4	32,328	109
Total	**739,314**	**100**	838,870	100	(99,556)	(12)

BUSINESS REVIEW *(continued)*

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

Production plant	Location	Area	Products	Production capacity	Commencement of operations
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1 – 8 layered PCBs	3.2 million sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	4 – 12 layered PCBs	300,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's turnover amounted to approximately HK$739.3 million, representing a decrease of 12% as compared to approximately HK$838.9 million for the year ended 31 December 2008. Profit attributable to shareholders was approximately HK$11.1 million (2008: HK$27.7 million).

The gross margin for the year of 2009 was 13%, the same as that of last year. Due to weak market sentiment in 2009 reducing demands for the PCB products, particularly in double-sided PCBs, the utilization rates of the production capacities remained at a lower level throughout the year. The average utilization rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 85%, 41% and 57%, respectively, during the year of 2009.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2009, the Group had total assets of approximately HK$944.8 million (31 December 2008: HK$925.6 million) and interest-bearing borrowings of approximately HK$269.0 million (31 December 2008: HK$270.8 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 28.5% (31 December 2008: 29.3%).

The Group had net current liabilities of approximately HK$54.7 million (31 December 2008: net current liabilities of HK$74.3 million) consisted of current assets of approximately HK$472.9 million (31 December 2008: HK$434.2 million) and current liabilities of approximately HK$527.6 million (31 December 2008: HK$508.4 million), representing a current ratio of approximately 0.90 (31 December 2008: 0.85).

As at 31 December 2009, the Group had cash and bank balances (including restricted bank deposits) of approximately HK$130.4 million (31 December 2008: HK$78.2 million).

FOREIGN CURRENCY EXPOSURE

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

HUMAN RESOURCES

As at 31 December 2009, the Group employed a total of approximately 3,362 employees (31 December 2008: 2,676), including approximately 3,332 employees in its Zhongshan production site and approximately 30 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are also reviewed by the remuneration committee. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group also holds regular training programmes and also encourages staffs to attend training courses and seminars that are related directly and indirectly to the Group's business.

Dividends

The Board has resolved to recommend the payment of a final dividend of HK 1.0 cent per Share, amounting to approximately HK$2.9 million (31 December 2008: HK 1.0 cent per Share). Subject to Shareholders' approval at the AGM, the final dividends will be payable to the Shareholders on or around 14 June 2010 whose names appear on the register of members of the Company on 7 June 2010.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 3 June 2010 to Monday, 7 June, 2010 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 2 June 2010.

OUTLOOK

The Group holds an optimistic view on the PCB business. Motivated by the positive growth of the global economy, the global electronic industry is expected to rebound in 2010. In fact, an uptrend of export value and domestic sales of electronic products is recorded in the first two months of 2010. Looking ahead, the Chinese government will continue to implement the subsidy policy of household appliances and automobile purchases in 2010 and these measures will increase the domestic consumption of electronic products, leading to strong demand for PCB.

The high consumption of energy globally prioritizes the LED lighting technology to become a national issue. In favour of the highly promoted of "Ten Thousand LED lights in Ten Cities" and Guangdong's "Thousand Miles Ten Thousand" projects by the Ministry of Science and Technology of the PRC, the Group has set up a JV Company to develop the LED business in the PRC. The Group is confident to tap the high potential LED market and will establish footholds in different regions in order to explore markets nearby. The Group has secured the projects in Yangzhou, Chengdu and Foshan. In 2010, the Group will execute its LED business as planned.

The Group will continue to develop its business actively and explore new markets and opportunities to enhance its business.

DIRECTORS

Executive Directors

Mr. Yeung Hoi Shan, aged 49, has been a director since 25 November 2004 and was appointed as the Chairman of the Company on 5 June 2006. Mr. Yeung is in charge of the corporate strategy, planning and overall development of the Group. He has over 28 years of experience in the electronics manufacturing industry. During the period from 1981 to 1988, Mr. Yeung worked in an electronics manufacturing company in Hong Kong as the production engineer. In 1988, he started his own business of manufacturing and trading of PCBs and founded the Group in the same year. Mr. Yeung is a recipient of the Young Industrialist Awards of Hong Kong 2005. He is a son of Madam Li and the brother of Mr. Yeung Tai Hoi.

Mr. Pak Shek Kuen, aged 51, was appointed as an executive director with effective from 2 January 2007. Mr. Pak is the Chief Financial Officer, qualified accountant and company secretary of the Company and is responsible for the general financial management and accounting of the Group. He is an associate member of Hong Kong Institute of Certified Public Accountants and fellow member of The Chartered Association of Certified Accountants. He obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science for Electronic Commerce and Internet Computing from The University of Hong Kong in 2003. Prior to joining the Company in 2003, he worked for various financial institutions in Hong Kong for more than 20 years in the area of operations, risk management, treasury and internal audit.

Non-executive Directors

Madam Li Jinxia, aged 72, was appointed as a non-executive director on 5 June 2006. Madam Li formerly worked in State Tax Bureau of Zhongshan as an officer. She has been acting as an adviser to the Company in respect of PRC government policies since the incorporation of Tat Chun Printed Circuit Board Company Limited in 1988. She is the mother of Mr. Yeung Hoi Shan and Mr. Yeung Tai Hoi.

Mr. Yeung Tai Hoi, aged 52, was appointed as a non-executive director on 5 June 2006. Mr. Yeung joined Zhongshan Jinghua Printing Ink Factory Co., Ltd. in 1990 as the general manager in charge of the overall management. He is also a director of Gin Hwa Enterprise Limited. It is a private company incorporated in Hong Kong engaged in chemical ink manufacturing and trading. He has over 8 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

Mr. Cheung Kwok Ping ("Mr. Cheung"), aged 48, was appointed as a non-executive director on 2 January 2007. Mr. Cheung is currently an executive director of Kingboard Laminates Holdings Limited, a company whose shares were listed on the main board of The Stock Exchange of Hong Kong Limited and the general manager of the paper laminate factories in Fogang and Shaoguan, the PRC. He is also an executive director of Kingboard Copper Foil Holdings Limited, a company whose shares were listed on the Singapore Exchange Securities Trading Limited. Mr. Cheung has over 21 years' experience in marketing. Mr. Cheug was also formerly an executive director of Kingboard Chemical Holdings Limited up to 7 December 2006.

DIRECTORS *(continued)*

Independent non-executive Directors

Mr. Cheung Sui Wing, Darius, aged 51, was appointed as an independent non-executive director on 5 June 2006. He is currently the managing director of a consumer electronics products company named Techlux International Limited in Hong Kong. Before that, he worked as a vice president and general manager for a consumer electronics manufacturer.

Ms. Ho Man Kay, aged 47, was appointed as an independent non-executive director on 5 June 2006. She is a founding partner of Angela Ho & Associates. Prior to joining her present firm, Ms. Ho was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specializing in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho was President of the Hong Kong Federation of Women Lawyers in 2002-2005. Ms. Ho is a Hong Kong delegate of the 9th All Chia Women Congress.

Mr. Wong Siu Fai, Albert, aged 50, was appointed as an independent non-executive director on 5 June 2006. He is currently a chief financial officer of Walcom Group Limited and has over 26 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms. Mr. Wong obtained an honour diploma in accounting in Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in 1983. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has appropriate professional qualifications, accounting or related financial management expertise pursuant to the Rule 3.10(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Fung Eric Gin, aged 43, was appointed as managing director of Tat Chun Printed Circuit Board Company Limited in September 2008. Mr. Fung has over 21 years of experience in the PCB and Semiconductor industry, having held numerous Engineering, Sales & Marketing, and General Management positions with IBM, Motorola, Viasystems, OPC, and Mania Technologie. Prior to joining the Group, Mr. Fung was the Vice President of China for Mania Technologie. Mr. Fung holds a Bachelor of Science degree in Electrical Engineering from the University of Illinois, a Master of Science degree in Electrical Engineering from Columbia University, and a Master of Business Administration degree from the University of Ottawa. He was an Executive Committee member of the Hong Kong Printed Circuit Association from 2001-2009.

Mr. Ng Sing Hoi, Kenneth, aged 54, was appointed as the V.P. Sales & Marketing of the Group, in charge of the overall sales and marketing activities of the Group, since September 2006, Mr. Ng obtained a bachelor's degree in Business Administration from The Chinese University of Hong Kong in 1979. Before joining the Group, he has spent over 21 years working as key management in sales & marketing for some major global PCB and Laminate manufacturers in Hong Kong and Canada.

The directors present their annual report and the audited consolidated financial statements of TC Interconnect Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 26.

The directors recommend the payment of a final dividend of HK1 cent per share for the year ended 31 December 2009 to the shareholders whose names appear on the register of members on 7 June 2010 amounting to approximately HK$2,900,000.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 82 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2009, the Company's reserves available for distribution to shareholders were as follows:

	2009 **HK$'000**	2008 HK$'000
Share premium	**30,609**	30,609
Contributed surplus	**145,058**	145,058
Accumulated profits	**3,873**	580
	179,540	176,247

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

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with the provisions of the Company's Articles of Association, Mr. Yeung Hoi Shan, Mr. Yeung Tai Hoi and Madam Li Jinxia retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Hoi Shan entered into a service agreement with the Company for a term of three years from 5 June 2006, determinable by either party by giving three months' prior written notice. Mr. Yeung entered into another service agreement with the Company for a term of three years from 12 June 2009, determinable by either party by giving three month's prior written notice.

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

DIRECTORS' SERVICE CONTRACTS *(continued)*

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

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

SHARE OPTION SCHEME

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 28 April 2008, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 28 April 2008 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

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

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

SHARE OPTION SCHEME *(continued)*

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

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2009	Granted during the year	Forfeited during the year	Outstanding at 31 December 2009	Exercisable period
Mr. Yeung Hoi Shan	3 July 2007	1.52	2,000,000	–	–	2,000,000	(Note 1)
	29 September 2009	1.07	–	2,400,000	–	2,400,000	(Note 2)
Mr. Wong Wing Choi*	3 July 2007	1.52	2,000,000	–	(2,000,000)	–	(Note 1)
Mr. Pak Shek Kuen	3 July 2007	1.52	2,000,000	–	–	2,000,000	(Note 1)
	29 September 2009	1.07	–	2,000,000	–	2,000,000	(Note 2)
Madam Li Jinxia	3 July 2007	1.52	1,000,000	–	–	1,000,000	(Note 1)
	29 September 2009	1.07	–	1,000,000	–	1,000,000	(Note 2)
Mr. Yeung Tai Hoi	3 July 2007	1.52	200,000	–	–	200,000	(Note 1)
	29 September 2009	1.07	–	200,000	–	200,000	(Note 2)
Mr. Cheung Kwok Ping	29 September 2009	1.07	–	200,000	–	200,000	(Note 2)
Mr. Cheung Sui Wing, Darius	3 July 2007	1.52	200,000	–	–	200,000	(Note 1)
	29 September 2009	1.07	–	200,000	–	200,000	(Note 2)
Ms. Ho Man Kay	3 July 2007	1.52	200,000	–	–	200,000	(Note 1)
	29 September 2009	1.07	–	200,000	–	200,000	(Note 2)
Mr. Wong Siu Fai, Albert	3 July 2007	1.52	200,000	–	–	200,000	(Note 1)
	29 September 2009	1.07	–	200,000	–	200,000	(Note 2)
			7,800,000	6,400,000	(2,000,000)	12,200,000	

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

Notes:

1. Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired on 2 July 2011.

2. Options are exercisable subject to (i) up to 30% of the options are exercisable on or after 29 September 2009; (ii) up to 60% of the options are exercisable on or after 29 September 2010; and (iii) all the remaining options are exercisable on or after 29 September 2011. The options will be expired on 28 September 2015.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in note 40 to the consolidated financial statements, other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2009, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interest in securities

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	179,000,000	74.58

DIRECTORS' INTERESTS IN SHARES *(continued)*

Interests in underlying shares pursuant to share options

Name of director	Capacity	Date of grant	Exercise price per share HK$	Number of share options granted
Mr. Yeung Hoi Shan	Beneficial owner	3 July 2007	1.52	2,000,000
		29 September 2009	1.07	2,400,000
Mr. Pak Shek Kuen	Beneficial owner	3 July 2007	1.52	2,000,000
		29 September 2009	1.07	2,000,000
Madam Li Jinxia	Beneficial owner	3 July 2007	1.52	1,000,000
		29 September 2009	1.07	1,000,000
Mr. Yeung Tai Hoi	Beneficial owner	3 July 2007	1.52	200,000
		29 September 2009	1.07	200,000
Mr. Cheung Kwok Ping	Beneficial owner	29 September 2009	1.07	200,000
Mr. Cheung Sui Wing, Darius	Beneficial owner	3 July 2007	1.52	200,000
		29 September 2009	1.07	200,000
Ms. Ho Man Kay	Beneficial owner	3 July 2007	1.52	200,000
		29 September 2009	1.07	200,000
Mr. Wong Siu Fai, Albert	Beneficial owner	3 July 2007	1.52	200,000
		29 September 2009	1.07	200,000

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2009.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2009, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in securities

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Ms. Zhao Man Qi *(Note)*	Interest of spouse	179,000,000	74.58%

Interest in underlying shares pursuant to share options

Name	Capacity	Date of grant	Number of share options granted	Exercise price HK$
Ms. Zhao Man Qi *(Note)*	Interest of spouse	3 July 2007	2,000,000	1.52
		29 September 2009	2,400,000	1.07

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2009.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 11.1% to the total sales for the year. The Group's five largest customers accounted for 39.7% of the Group's total turnover for the year.

The Group's largest supplier contributed 32.6% to the total purchases for the year. The Group's five largest suppliers accounted for 59.4% of the total purchases for the year.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 39 to the consolidated financial statements.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EMOLUMENT POLICY

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

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

AUDITOR

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

On behalf of the Board

Yeung Hoi Shan
Chairman

Hong Kong
23 April 2010

Deloitte.
德勤

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

We have audited the consolidated financial statements of TC Interconnect Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 81, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	**739,314**	838,870
Cost of sales		**(645,774)**	(729,980)
Gross profit		**93,540**	108,890
Other income	7	**27,552**	25,823
Other gains and losses	8	**(6,944)**	(1,480)
Selling and distribution expenses		**(36,193)**	(30,080)
Administrative expenses		**(49,891)**	(53,674)
Finance costs	9	**(11,596)**	(17,988)
Profit before tax		**16,468**	31,491
Income tax expense	10	**(5,331)**	(3,770)
Profit for the year	11	**11,137**	27,721
Other comprehensive income			
Surplus on revaluation of properties		**6,878**	8,385
Deferred tax liabilities arising from revaluation of properties		**(1,719)**	(2,097)
Other comprehensive income for the year		**5,159**	6,288
Total comprehensive income for the year		**16,296**	34,009
Earnings per share	15		
Basic		**HK$0.05**	HK$0.12
Diluted		**HK$0.05**	–

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	16	**3,800**	3,100
Property, plant and equipment	17	**439,599**	460,456
Prepaid lease payments – non-current portion	18	**22,535**	23,150
Deposits paid for acquisition of property, plant and equipment		**5,962**	4,704
		471,896	491,410
Current assets			
Inventories	19	**107,924**	90,453
Prepaid lease payments – current portion	18	**615**	615
Trade and other receivables	20	**229,973**	247,289
Bills receivable	20	**530**	4,768
Tax recoverable		**2,940**	2,190
Investment designated as at fair value through profit or loss	21	**–**	9,349
Derivative financial instruments	22	**520**	1,301
Restricted bank deposits	23	**80,105**	18,373
Bank balances, deposits and cash	23	**50,312**	59,828
		472,919	434,166
Current liabilities			
Trade and other payables	24	**180,910**	230,261
Bills payable	24	**88,497**	39,995
Derivative financial instruments	22	**459**	–
Taxation payable		**16,999**	16,718
Bank and other borrowings – due within one year	25	**207,089**	177,962
Obligations under finance leases – due within one year	26	**33,675**	43,492
		527,629	508,428
Net current liabilities		**(54,710)**	(74,262)
Total assets less current liabilities		**417,186**	417,148
Non-current liabilities			
Bank and other borrowings – due after one year	25	**13,099**	8,000
Obligations under finance leases – due after one year	26	**15,139**	41,316
Amount due to a shareholder	27	**21,142**	20,627
Deferred tax liabilities	28	**13,381**	11,488
		62,761	81,431
Net assets		**354,425**	335,717

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	*29*	**24,000**	24,000
Reserves		**330,425**	311,717
Total equity		**354,425**	335,717

The consolidated financial statements on pages 26 to 81 were approved and authorised for issue by the Board of Directors on 23 April 2010 and are signed on its behalf by:

Yeung Hoi Shan
DIRECTOR

Pak Shek Kuen
DIRECTOR

	Share capital HK$'000 *(Note 29)*	Share premium HK$'000	Properties revaluation reserve HK$'000 *(Note 30)*	The People's Republic of China (the "PRC") statutory reserve HK$'000 *(Note 30)*	Special reserve HK$'000 *(Note 30)*	Share option reserve HK$'000	Capital contribution reserve HK$'000 *(Note 30)*	Exchange reserve HK$'000	Accumulated profits HK$'000	Total equity HK$'000
At 1 January 2008	24,000	30,609	17,373	3,504	1,156	3,217	–	79	228,542	308,480
Profit for the year	–	–	–	–	–	–	–	–	27,721	27,721
Other comprehensive income for the year	–	–	6,288	–	–	–	–	–	–	6,288
Total comprehensive income for the year	–	–	6,288	–	–	–	–	–	27,721	34,009
Dividends paid	–	–	–	–	–	–	–	–	(12,000)	(12,000)
Deemed capital contribution from a shareholder	–	–	–	–	–	–	1,830	–	–	1,830
Recognition of equity-settled share based payment	–	–	–	–	–	3,398	–	–	–	3,398
Release upon lapse of share options	–	–	–	–	–	(467)	–	–	467	–
Transfer	–	–	–	42	–	–	–	–	(42)	–
Subtotal	–	–	–	42	–	2,931	1,830	–	(11,575)	(6,772)
At 31 December 2008 and 1 January 2009	24,000	30,609	23,661	3,546	1,156	6,148	1,830	79	244,688	335,717
Profit for the year	–	–	–	–	–	–	–	–	11,137	11,137
Other comprehensive income for the year	–	–	5,159	–	–	–	–	–	–	5,159
Total comprehensive income for the year	–	–	5,159	–	–	–	–	–	11,137	16,296
Dividends paid	–	–	–	–	–	–	–	–	(2,400)	(2,400)
Deemed capital contribution from a shareholder	–	–	–	–	–	–	706	–	–	706
Recognition of equity-settled share based payment	–	–	–	–	–	4,106	–	–	–	4,106
Release upon lapse of share options	–	–	–	–	–	(917)	–	–	917	–
Subtotal	–	–	–	–	–	3,189	706	–	(1,483)	2,412
At 31 December 2009	24,000	30,609	28,820	3,546	1,156	9,337	2,536	79	254,342	354,425

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**16,468**	31,491
Adjustments for:		
Depreciation of property, plant and equipment	**51,362**	48,299
Fair value changes on derivative financial instruments	**430**	(2,504)
Fair value changes on investment designated as at fair value through profit or loss	**459**	–
Fair value changes on investment properties	**(700)**	400
Finance costs	**11,596**	17,988
Gain on disposal of property, plant and equipment	**(45)**	(111)
Impairment loss recognised on trade receivables	**3,490**	10,793
Interest income	**(642)**	(186)
Release of prepaid lease payments	**615**	740
(Reversal of) allowance for inventory obsolescence	**(950)**	950
Reversal of impairment loss previously recognised for trade receivables	**(2,593)**	–
Share-based payment expenses	**4,106**	3,398
Gain on disposal of a land use right	**–**	(13,428)
Operating cash flow before movements in working capital	**83,596**	97,830
Increase in inventories	**(16,521)**	(2,470)
Decrease (increase) in trade and other receivables	**16,419**	(13,209)
Decrease in bills receivable	**4,238**	1,249
Increase in derivative financial instruments	**810**	1,203
(Decrease) increase in trade and other payables	**(49,351)**	30,871
Increase in bills payable	**48,502**	15,662
Cash generated from operations	**87,693**	131,136
Hong Kong Profits Tax paid	**(750)**	(6,510)
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") paid	**(4,876)**	(1,338)
NET CASH FROM OPERATING ACTIVITIES	**82,067**	123,288
INVESTING ACTIVITIES		
Increase in restricted bank deposits	**(61,732)**	(18,373)
Purchase of property, plant and equipment	**(10,104)**	(26,470)
Deposits paid for acquisition property, plant and equipment	**(4,439)**	–
Proceeds from redemption of investment designated as at fair value through profit or loss	**8,890**	–
Interest received	**642**	186
Proceeds from disposal of property, plant and equipment	**45**	111
Purchase of investment designated as at fair value through profit or loss	**–**	(9,349)
Proceeds from disposal of a land use right	**–**	22,159
NET CASH USED IN INVESTING ACTIVITIES	**(66,698)**	(31,736)
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(340,435)**	(672,745)
Repayment of obligations under finance leases	**(46,336)**	(50,601)
Interest paid	**(10,375)**	(17,988)
Dividends paid	**(2,400)**	(12,000)
Bank and other borrowings raised	**374,661**	595,647
Inception of obligations under finance leases	**–**	19,163
Advance from a shareholder	**–**	22,457
Repayment from a related company	**–**	13,680
NET CASH USED IN FINANCING ACTIVITIES	**(24,885)**	(102,387)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,516)**	(10,835)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**59,828**	70,663
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances, deposits and cash	**50,312**	59,828

1. GENERAL

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

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by HK$54,710,000 as at 31 December 2009. The Group has unutilised banking facilities of approximately HK$119 million as at 31 December 2009, the majority of which are due in the coming year. The directors of the Company believe that these banking facilities will be able to be renewed in the coming year when they expire. On 27 January 2010, the Company completed a conditional top-up placement with net proceeds of approximately HK$59,400,000. Details of the placement are set out in note 39.

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

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standard ("HKFRS") 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee – Interpretation ("HK(IFRIC) – INT") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

News and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

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

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

News and revised HKFRSs affecting presentation and disclosure only *(continued)*

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 41).

The Group early adopted amendment to HKFRS 8 as part of the Improvements to HKFRSs issued in 2009. The amendment clarifies that an entity shall report a measure of total assets for each reportable segment if such amount is regularly provided to the chief operating decision maker.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKFRS 8[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 January 2013.

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

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

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

Revenue recognition

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

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

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

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

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

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on non-financial assets

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

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets at fair value through profit or loss
Financial assets at FVTPL of the Group include investment designated as FVTPL on initial recognition.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

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

Impairment of loans and receivables

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

The objective evidence of impairment could include:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables (continued)

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

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

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

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

Derecognition

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis, except for those that are classified and accounted for as investment properties under fair value model.

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding credit has been made to the share option reserve.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

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

Government grants

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

Retirement benefits costs

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following is the key assumption concerning future at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimate impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade receivables is approximately HK$204,634,000 (2008: HK$219,392,000). Details of movements of allowance for trade receivables are disclosed in note 20.

6. REVENUE

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

7. OTHER INCOME

	2009 **HK$'000**	2008 HK$'000
Bank interest income	**642**	186
Rental income generated from investment properties	**672**	568
Sales of scrap materials	**25,532**	23,433
Others	**706**	1,636
	27,552	25,823

8. OTHER GAINS AND LOSSES

	2009 HK$'000	2008 HK$'000
Net foreign exchange loss	**(5,903)**	(6,330)
Impairment loss recognised on trade receivables	**(3,490)**	(10,793)
Fair value changes on investment designated as at fair value through profit or loss	**(459)**	–
Fair value changes on derivative financial instruments	**(430)**	2,504
Reversal of impairment loss previously recognised on trade receivables	**2,593**	–
Fair value changes on investment properties	**700**	(400)
Gain on disposal of property, plant and equipment	**45**	111
Gain on disposal of a land use right	**–**	13,428
	(6,944)	(1,480)

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**8,010**	13,116
– obligations under finance leases	**2,365**	4,872
Imputed interest on amount due to a shareholder	**1,221**	–
	11,596	17,988

10. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The charge comprises:		
PRC EIT		
Current year	**5,157**	5,460
Overprovision	**–**	(1,800)
	5,157	3,660
Deferred tax *(note 28)*		
Current year	**174**	296
Attributable to a change in tax rate	**–**	(186)
	174	110
	5,331	3,770

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

During the years ended 31 December 2009 and 2008, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for both years.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Zhongshan Tat Chun Printed Circuit Board Company Limited ("Zhongshan PCB") and Guangdong Tat Chun Electric Technology Company Limited ("Guangdong Tat Chun"), both are wholly owned subsidiaries of the Company, are entitled to an exemption from the PRC EIT for the first two years commencing from their first profit-making year of operation, and thereafter, these PRC subsidiaries will be entitled to a 50% relief from the PRC EIT for the following three years ("Tax Holiday"). Under the EIT Law, the reduced tax rate for the 50% relief from the PRC EIT is 12.5%. After the expiry of the tax relief period, Zhongshan PCB and Guangdong Tat Chun is subject to an income tax rate of 25%. The first profit-making year of operation of Zhongshan PCB and Guangdong Tat Chun was 2004 and 2008, respectively. During the year ended 31 December 2009, the Tax Holiday of Zhongshan PCB expired and its tax rate of the PRC EIT was 25% (2008: 12.5%).

10. INCOME TAX EXPENSE *(continued)*

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

	2009	2008
	HK$'000	HK$'000
Profit before tax	**16,468**	31,491
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**4,117**	7,873
Tax effect of expenses not deductible for tax purpose	**2,800**	4,415
Tax effect of income not taxable for tax purpose	**(313)**	(28)
Tax effect of Tax Holiday of subsidiaries	**(2,449)**	(10,828)
Tax effect of utilisation of tax losses previously not recognised	**(27)**	–
Tax effect of different tax rates of operations/entities operating in other jurisdiction	**1,203**	1,356
Tax effect of tax losses/temporary difference not recognised	**–**	2,968
Tax effect of change in tax rate	**–**	(186)
Overprovision of PRC EIT	**–**	(1,800)
Income tax expense	**5,331**	3,770

11. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expenses, including directors' remuneration	**96,870**	104,917
Retirement benefit schemes contributions	**3,474**	3,617
Total employee expenses	**100,344**	108,534
Auditor's remuneration	**1,363**	1,458
Cost of inventories recognised as an expense	**645,774**	729,980
Depreciation of property, plant and equipment	**51,362**	48,299
Release of prepaid lease payments	**615**	740

Note: During the year ended 31 December 2009, there was an increase in the net realisable value of the inventories. As a result, a reversal of HK$950,000 has been recognised and included in cost of sales in the current year. The respective provision was made during the year ended 31 December 2008.

12. DIRECTORS' EMOLUMENTS

The emoluments recognised (reversed) to each of the directors were as follows:

2009

	Mr. Yeung HK$'000	Wong Wing Choi* HK$'000	Pak Shek Kuen HK$'000	Li Jinxia ("Madam Li") HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Cheung Kwok Ping HK$'000	Ho Man Kay HK$'000	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	–	84	84	84	84	126	84	546
– Salaries and other benefits	3,040	205	1,189	–	–	–	–	–	–	4,434
– Share-based payments	646	(492)	577	288	58	58	35	58	58	1,286
– Performance related incentive payment *(note)*	159	–	197	–	–	–	–	–	–	356
– Retirement benefit scheme contributions	12	1	12	–	–	–	–	–	–	25
Total emoluments	3,857	(286)	1,975	372	142	142	119	184	142	6,647

2008

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

* Mr. Wong Wing Choi resigned as an executive director on 23 January 2009. Upon the resignation, an amount of HK$492,000 representing share-based payments (for which the options were not vested) recognised in previous years, was reversed and set off with share-based payments expense during the year.

Note: The performance related incentive payment was determined based on individual performance.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, two (2008: three) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2008: two) individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**3,037**	1,473
Share-based payments	**617**	386
Performance related incentive payment	**126**	–
Retirement benefit schemes contributions	**36**	24
	3,816	1,883

	2009	2008
	HK$'000	HK$'000
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
	3	2

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

14. DIVIDENDS

	2009	2008
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2008 Final dividend of HK1 cent per share		
(2008: 2007 Final dividend of HK5 cents per share)	**2,400**	12,000

The directors recommend the payment of a final dividend of HK1 cent per share for the year ended 31 December 2009 to the shareholders whose names appear on the register of members on 7 June 2010 amounting to approximately HK$2,900,000.

15. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
Earnings		
Profit for the year and earnings for the purposes of basic and diluted earnings per share	**11,137**	27,721
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**240,000,000**	240,000,000
Effect of dilutive potential ordinary shares:		
Share options *(note)*	**1,202,513**	–
Number of ordinary shares for the purposes of diluted earnings per share	**241,202,513**	240,000,000

Note: No diluted earnings per share for the year ended 31 December 2008 had been presented because the exercise price of share options granted by the Company was higher than the Company's market share price.

16. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2008	3,500
Fair value changes recognised in profit or loss	(400)
At 31 December 2008 and 1 January 2009	3,100
Fair value changes recognised in profit or loss	700
At 31 December 2009	3,800

The fair values of the Group's investment properties at 31 December 2009 and 2008 have been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers. The valuation was arrived at by reference to recent market evidence of transaction prices for similar properties in the same locations and conditions.

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2008	2,900	134,091	304,716	3,313	5,410	7,857	93,818	552,105
Additions	2,496	–	36,821	334	285	1,110	5,279	46,325
Disposals	–	(853)	–	–	(1,025)	–	–	(1,878)
Transfer	(1,518)	–	–	–	–	–	1,518	–
Surplus on revaluation	–	5,116	–	–	–	–	–	5,116
At 31 December 2008 and 1 January 2009	3,878	138,354	341,537	3,647	4,670	8,967	100,615	601,668
Additions	1,551	–	19,632	130	1,382	314	618	23,627
Disposals	–	–	–	–	(660)	–	–	(660)
Transfer	(2,190)	–	–	–	–	–	2,190	–
Surplus on revaluation	–	3,422	–	–	–	–	–	3,422
At 31 December 2009	3,239	141,776	361,169	3,777	5,392	9,281	103,423	628,057
Comprising:								
At cost	3,239	–	361,169	3,777	5,392	9,281	103,423	486,281
At valuation – 2009	–	141,776	–	–	–	–	–	141,776
	3,239	141,776	361,169	3,777	5,392	9,281	103,423	628,057
DEPRECIATION AND AMORTISATION								
At 1 January 2008	–	–	77,577	890	2,833	3,388	12,519	97,207
Provided for the year	–	3,269	32,562	453	729	1,342	9,944	48,299
Elimination on disposals	–	–	–	–	(1,025)	–	–	(1,025)
Elimination on revaluation	–	(3,269)	–	–	–	–	–	(3,269)
At 31 December 2008 and 1 January 2009	–	–	110,139	1,343	2,537	4,730	22,463	141,212
Provided for the year	–	3,456	35,258	494	784	1,221	10,149	51,362
Elimination on disposals	–	–	–	–	(660)	–	–	(660)
Elimination on revaluation	–	(3,456)	–	–	–	–	–	(3,456)
At 31 December 2009	–	–	145,397	1,837	2,661	5,951	32,612	188,458
CARRYING VALUES								
At 31 December 2009	3,239	141,776	215,772	1,940	2,731	3,330	70,811	439,599
At 31 December 2008	3,878	138,354	231,398	2,304	2,133	4,237	78,152	460,456

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

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

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

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

At 31 December 2009, the buildings of the Group were valued by DTZ Debenham Tie Leung Limited, on an open market basis by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers. The buildings were valued at depreciated replacement cost approach.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$105,247,000 (2008: HK$108,328,000).

As at 31 December 2009, the carrying values of the Group's plant and machinery and motor vehicles include amounts of HK$137,661,000 and HK$1,635,000 (2008: HK$143,190,000 and HK$1,036,000) respectively, in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$141,776,000 (2008: nil) and HK$31,072,000 (2008: nil), respectively, to secure general banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009	2008
	HK$'000	HK$'000
Land use rights in the PRC under medium term leases	**23,150**	23,765
Analysed for reporting purposes as:		
Non-current assets	**22,535**	23,150
Current assets	**615**	615
	23,150	23,765

The prepaid lease payments are charged to profit or loss over the respective term of the lease on a straight line basis.

The Group has pledged the land use rights of carrying amount of HK$23,150,000 (2008: nil) to secure general banking facilities granted to the Group.

19. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials	**44,943**	41,231
Work in progress	**28,667**	21,042
Finished goods	**34,314**	28,180
	107,924	90,453

20. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	2009	2008
	HK$'000	HK$'000
Trade receivables	**227,324**	241,185
Less: Allowance for doubtful debts	**(22,690)**	(21,793)
Total trade receivables, net of allowance	**204,634**	219,392
Other receivables and prepayments	**25,339**	27,897
	229,973	247,289

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

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

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

	2009	2008
	HK$'000	HK$'000
0 – 30 days	**72,010**	63,142
31 – 60 days	**65,173**	64,683
61 – 90 days	**43,704**	47,629
91 – 180 days	**21,348**	42,148
Over 180 days	**2,399**	1,790
	204,634	219,392

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

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$43,481,000 (2008: HK$73,259,000) which are past due for which the Group has not provided for impairment loss.

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

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

	2009	2008
	HK$'000	HK$'000
31 – 60 days	**12,322**	10,821
61 – 90 days	**18,109**	31,062
91 – 180 days	**10,636**	29,586
Over 180 days	**2,414**	1,790
Total	**43,481**	73,259

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

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

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

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**21,793**	11,000
Impairment loss recognised on receivables	**3,490**	10,793
Impairment loss reversed	**(2,593)**	–
Balance at end of the year	**22,690**	21,793

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$22,690,000 (2008: HK$21,793,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

(b) Bills receivable

The aged analysis of bills receivable is as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	**530**	122
31 – 60 days	**–**	2,382
61 – 90 days	**–**	1,952
91 – 180 days	**–**	312
	530	4,768

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

	2009 HK$'000	2008 HK$'000
United States dollars ("US$")	**178,295**	180,625
Renminbi ("RMB")	**21,305**	43,187
	199,600	223,812

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

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

The note was redeemed on its maturity date at HK$8,890,000, resulting in a loss of HK$459,000 on redemption.

22. DERIVATIVE FINANCIAL INSTRUMENTS

		2009		2008
		Assets	**liabilities**	Assets
	Notes	**HK$'000**	**HK$'000**	HK$'000
Foreign currency derivatives:				
Forward contracts	*(i)*	**520**	**–**	1,301
Currency structured forward contracts	*(ii)*	**–**	**459**	–
		520	**459**	1,301

(i) Forward contracts

Major terms of foreign currency forward contracts are as below:

As at 31 December 2009

Aggregate notional amount	**Maturity**	**Forward exchange rates**
US$6,950,000	From February 2010 to October 2010	Sell US$/buy RMB at 6.6520 to 6.7870
US$6,950,000	From February 2010 to October 2010	Sell RMB/buy US$ at 6.7160 to 6.8201

As at 31 December 2008

Aggregate notional amount	**Maturity**	**Forward exchange rates**
US$7,060,000	From January 2009 to June 2009	Sell US$/buy RMB at 6.3510 to 6.6060
US$7,060,000	From January 2009 to June 2009	Sell RMB/buy US$ at 6.4190 to 6.6120

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

22. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(ii) Currency structured forward contracts

During the year ended 31 December 2009, the Group entered into several net settled US$/RMB structured forward contracts which give the Group the opportunities to sell US$/buy RMB at rates which are better than the market forward rates prevailing on the trade dates of the transactions. However, the contracts shall be terminated if the then prevailing market spot rates under the scenario of depreciation of RMB against US$ beyond 6.7. In addition, there is a knock out feature under which the contracts will be terminated if the accumulative gains to the Group have exceeded certain specified amounts. As at 31 December 2009, the aggregate notional amounts of the outstanding currency structured contracts were US$40,000,000 covering monthly settlements up to August 2011.

The fair values of the currency structured forward contracts are determined by using the Monte Carlos Simulation Model.

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

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

	2009	2008
	HK$'000	HK$'000
Restricted bank deposits	**80,105**	18,373
Bank deposits	**–**	15,628
Bank balances and cash	**50,312**	44,200
	50,312	59,828

As at 31 December 2009, the restricted bank deposits comprise deposits for the issue of bills payable of HK$16,057,000 (2008: HK$18,373,000) and pledged deposits of HK$64,048,000 (2008: nil) for short-term bank borrowings.

Restricted bank deposits, bank balances and deposits carry interest at market interest rates ranging from 0.01% to 3.84% (2008: 0.28% to 1.90%) per annum.

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

	2009	2008
	HK$'000	HK$'000
US$	**17,759**	10,777
RMB	**105,774**	35,580
	123,533	46,357

24. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2009 HK$'000	2008 HK$'000
0 – 30 days	**30,900**	22,453
31 – 60 days	**34,135**	20,705
61 – 90 days	**21,950**	48,553
91 – 180 days	**62,111**	101,450
Over 180 days	**1,069**	7,046
	150,165	200,207
Other payables and accruals	**30,745**	30,054
	180,910	230,261

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

(b) Bills payable

The aged analysis of bills payable is as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	**23,291**	32,125
31 – 60 days	**14,568**	3,695
61 – 90 days	**10,207**	2,872
91 – 180 days	**40,431**	1,303
	88,497	39,995

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

	2009 HK$'000	2008 HK$'000
US$	**35,003**	8,945
RMB	**139,730**	158,155
	174,733	167,100

25. BANK AND OTHER BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank loans	**187,058**	162,519
Trust receipt loans	**33,130**	23,443
	220,188	185,962
Analysed as:		
Secured	**150,204**	69,161
Unsecured	**69,984**	116,801
	220,188	185,962
Carrying amount repayable:		
On demand or within one year	**207,089**	177,962
More than one year, but not exceeding two years	**6,527**	4,000
More than two years, but not exceeding five years	**6,572**	4,000
	220,188	185,962
Less: Amounts due within one year shown under current liabilities	**(207,089)**	(177,962)
	13,099	8,000

As at 31 December 2009, the Group has not breached financial convents as stipulated in the banking facilities letters entered into by the Group.

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

The bank and other borrowings were secured by assets of the Group as disclosed in note 37. Among the bank and other borrowings, an amount of approximately HK$17,045,000 was secured by a personal guarantee made by Mr. Yeung as disclosed in note 40.

25. BANK AND OTHER BORROWINGS *(continued)*

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

	2009	2008
	HK$'000	HK$'000
US$	**52,042**	26,782
RMB	**59,091**	11,364
	111,133	38,146

As at 31 December 2009, the balances of fixed-rate borrowings and variable-rate borrowings are HK$157,276,000 (2008: HK$11,364,000) and HK$62,912,000 (2008: HK$174,598,000), respectively.

The contractual interest rates of variable-rate bank loans are Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.75% to 2.65% (2008: HIBOR plus 1.30% to 2.25%) per annum. Interest is repriced every year.

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

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	**0.88% to 5.58%**	5.58%
Variable-rate borrowings	**2.14% to 4.33%**	2.77% to 6.25%

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**34,738**	45,991	**33,675**	43,492
In the second year	**13,625**	31,585	**13,336**	30,758
In the third year	**1,776**	9,962	**1,764**	9,827
In the fourth year	**40**	736	**39**	731
	50,179	88,274	**48,814**	84,808
Less: Future finance charges	**(1,365)**	(3,466)	**–**	–
Present value of lease obligations	**48,814**	84,808	**48,814**	84,808
Less: Amount due within one year shown under current liabilities			**(33,675)**	(43,492)
Amount due after one year			**15,139**	41,316

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is two years and the contractual interest rates for the year are HIBOR plus 1.5% to 3% (2008: HIBOR plus 1.50% to 2%). For the year ended 31 December 2009, the contractual interest rates ranged from 1.63% to 4.67% (2008: 2.97% to 5.97%) per annum and the average effective interest rate was 3.54% (2008: 5.31%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

During the year ended 31 December 2009, the Group entered into finance lease arrangements of approximately HK$10,342,000. During the year ended 31 December 2008, the Group entered into finance lease arrangements of approximately HK$36,738,000, in which an amount of approximately HK$19,163,000 was related to property, plant and equipment acquired in previous years.

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

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

27. AMOUNT DUE TO A SHAREHOLDER

During the year ended 31 December 2009, Mr. Yeung agreed with the Company to extend the repayment date of the principal amount of shareholder's loan of HK$22,457,000 from 29 June 2010 to 31 January 2011. The Company recalculated the carrying amount of the loan by computing the present value of estimated future cash flows at the loan's original effective interest rate. The difference of approximately HK$706,000 between the present value and the carrying amount of the loan on its date of extension was recognised as a deemed capital contribution from a shareholder. The amount was unsecured and interest free.

As at 31 December 2008, the balance was unsecured, interest-free and repayable on 29 June 2010. The amount was adjusted to its fair value of approximately HK$20,627,000, determined using cash flows discounted at an effective interest rate of 5.8% per annum. The difference of approximately HK$1,830,000 between the nominal value and the fair value of the amount on its inception date was recognised as a deemed capital contribution from a shareholder.

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

	2009 **HK$'000**	2008 HK$'000
RMB	**14,657**	14,657

28. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2008	3,252	6,029	9,281
Charge to profit or loss	296	–	296
Charge to other comprehensive income	–	2,097	2,097
Effect of changes in tax rate	(186)	–	(186)
At 31 December 2008 and 1 January 2009	3,362	8,126	11,488
Charge to profit or loss	174	–	174
Charge to other comprehensive income	–	1,719	1,719
At 31 December 2009	**3,536**	**9,845**	**13,381**

28. DEFERRED TAX LIABILITIES *(continued)*

At 31 December 2009, the Group had unused tax losses of approximately HK$213,000 (2008: HK$375,000) available for offset against future assessable profits in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31 December 2009, the Group has deductible temporary differences associated with specific provision on trade receivables and inventories of HK$22,690,000 (2008: HK$22,743,000). No deferred tax asset has been recognised of such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

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

At 31 December 2009, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was HK$64,123,000 (2008: HK$51,821,000).

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	240,000,000	24,000

30. RESERVES

(a) PRC statutory reserve

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

(b) Special reserve

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(c) Capital contribution reserve

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

(d) Properties revaluation reserve

	HK$
At 1 January 2008	17,373
Surplus on revaluation of properties	8,385
Deferred tax liabilities arising from revaluation of properties	(2,097)
At 31 December 2008	23,661
Surplus on revaluation of properties	6,878
Deferred tax liabilities arising from revaluation of properties	(1,719)
At 31 December 2009	28,820

31. SHARE OPTION SCHEME

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

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

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

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

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 28 April 2008, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 28 April 2008 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

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

The amount payable on acceptance of the grant of options is HK$1.

31. SHARE OPTION SCHEME *(continued)*

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

	Date of grant	Exercisable period	Exercise price per share HK$	Balance at 1 January 2008 '000	Forfeited during the year '000	Outstanding at 31 December 2008 '000	Granted during the year '000	Forfeited during the year '000	Balance at 31 December 2009 '000
Directors	3 July 2007	*(Note 1)*	1.52	7,800	–	7,800	–	(2,000)	5,800
	29 September 2009	*(Note 2)*	1.07	–	–	–	6,400	–	6,400
Subtotal				7,800	–	7,800	6,400	(2,000)	12,200
Consultants	29 September 2009	*(Note 2)*	1.07	–	–	–	6,250	–	6,250
Employees	3 July 2007	*(Note 1)*	1.52	5,980	(1,180)	4,800	–	(1,100)	3,700
	29 September 2009	*(Note 2)*	1.07	–	–	–	8,840	(850)	7,990
Subtotal				5,980	(1,180)	4,800	8,840	(1,950)	11,690
Total				13,780	(1,180)	12,600	21,490	(3,950)	30,140
Exercisable at the end of the year						6,304			12,842
Weighted average exercise price				HK$1.07	HK$1.07	HK$1.07	HK$1.52	HK$1.42	HK$1.21

Note 1: Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired on 2 July 2011.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after 29 September 2009; (ii) up to 60% of the options are exercisable on or after 29 September 2010; and (iii) all the remaining options are exercisable on or after 29 September 2011. The options will be expired on 28 September 2015.

During the year, no share options were exercised.

The total fair value of the share options granted on 29 September 2009 was HK$8,609,000. No options were granted during the year ended 31 December 2008.

31. SHARE OPTION SCHEME *(continued)*

With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

	2009	2008
	HK$'000	HK$'000
Directors' emoluments	**1,286**	2,314
Other staff costs	**2,820**	1,084
	4,106	3,398

The fair values of the share options granted during the year ended 31 December 2009 were calculated using the Binominal Model. The inputs into the model were as follows:

	29 September 2009
Exercise price	HK$1.07
Share price on date of grant	HK$1.07
Expected volatility	52.04%
Expected life	6 years
Risk-free rate	1.92%
Expected dividend yield	0.93%

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

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

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, and equity attributable to equity owners as disclosed in the consolidated statement of changes in equity.

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

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Designated as at FVTPL	**–**	9,349
Derivative financial instruments	**520**	1,301
Loans and receivables (including cash and cash equivalents)	**340,613**	303,735
Financial liabilities		
Derivative financial instruments	**459**	–
Amortised cost	**480,810**	447,972

b. Financial risk management objectives and polices

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

Market Risk

(i) Currency risk

The Group operates in Hong Kong ("HK") and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. In order to mitigate the currency risk, the Group has entered into forward currency contracts to partially hedge US$ against RMB. Details of the contracts are set out in note 22. The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

33. FINANCIAL INSTRUMENTS *(continued)*

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

Market Risk (continued)

(i) Currency risk *(continued)*

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

	2009	2008
	HK$'000	HK$'000
Assets		
US$	**196,574**	202,052
RMB	**127,079**	78,767
Liabilities		
US$	**87,504**	35,727
RMB	**213,478**	184,176

Sensitivity analysis

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

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 10% against RMB, the Group's post-tax profit for the year ended 31 December 2009 would decrease by HK$6,480,000 (2008: HK$7,906,000). If the HK$ strengthened by 10% against RMB, there would be an equal and opposite impact on the profit for the year.

For the outstanding forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% (2008: 10%) higher/lower, profit for the year ended 31 December 2009 would increase/decrease by approximately HK$321,000/HK$365,000 (2008: increase/decrease by HK$499,000/HK$499,000).

For the outstanding currency structured forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% (2008: 10%) higher/lower, profit for the year ended 31 December 2009 would increase/decrease by approximately HK$153,000/HK$4,972,000 (2008: nil).

As a result of the stable financial market in 2009, the management adjusted the sensitivity rate from 10% to 2% for the purpose of assessing foreign currency risk.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. US$ denominated sales are seasonal with lower sales volumes in the last quarter of the financial year, which results in a reduction in US$ receivables at year end.

33. FINANCIAL INSTRUMENTS *(continued)*

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

Market Risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 25 for details of these borrowings). The Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group negotiated with banks and entered into various revolving loans such that interest rates associated with the loans are more or less variable. In this regard, the directors of the Company consider that the Group's fair value interest rate risk is minimal.

The Group is also exposed to cash flow interest rate risk in relation to its bank balances and deposits (see note 23 for details) and its variable-rate bank borrowings and obligations under finance leases (see notes 25 and 26 for details of these borrowings and leases). It is the Group's policy to keep its borrowings and finance leases at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the needs arise.

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

Sensitivity analysis

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

The sensitivity analyses below have been determined based on the exposure to interest rates for floating-rate bank borrowings and obligations under finance leases at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 120 basis point (2008: 120 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 120 basis points (2008: 120 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2009 would decrease/increase by HK$1,006,000 (2008: decrease/increase by HK$2,335,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

33. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronic industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 53.81% of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 18.9% of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

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

The credit risk on bank deposits is limited because the counterparties are banks with high reputation.

Liquidity risk

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

The Group has net current liabilities of approximately HK$54,710,000 (2008: HK$74,262,000) as at 31 December, 2009. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cash flows from operations.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised banking facilities of approximately HK$119 million (2008: HK$162 million). The directors of the Company are of the opinion that the Group will be able to renew the banking facilities granted by the banks and the Group expects to have adequate funding to finance its operations and capital expenditure.

33. FINANCIAL INSTRUMENTS *(continued)*

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

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

	Weighted average effective interest rate %	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	150,983	–	–	–	150,983	150,983
Bills payable	–	88,497	–	–	–	88,497	88,497
Amount due to a shareholder	–	–	21,142	–	–	21,142	21,142
Obligations under finance leases	3.54	34,738	13,625	1,776	40	50,179	48,814
Bank and other borrowings							
– fixed rate	1.94	146,570	7,196	2,829	5,018	161,613	157,276
– variable rate	3.38	65,038	–	–	–	65,038	62,912
		485,826	41,963	4,605	5,058	537,452	529,624
Derivatives – net settlement							
Currency structured forward contracts		459	–	–	–	459	459
2008							
Trade and other payables	–	201,388	–	–	–	201,388	201,388
Bills payable	–	39,995	–	–	–	39,995	39,995
Amount due to a shareholder	–	–	20,627	–	–	20,627	20,627
Obligations under finance leases	5.31	45,991	31,585	9,962	736	88,274	84,808
Bank and other borrowings							
– fixed rate	5.58	11,998	–	–	–	11,998	11,364
– variable rate	5.80	176,261	4,232	4,477	–	184,970	174,598
		475,633	56,444	14,439	736	547,252	532,780

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

33. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

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

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

– the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

– the fair values of forward contracts are determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money; and

– the fair values of the currency structured forward contracts are determined by using the Monte Carlos Simulation Model.

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

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

33. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the statement of financial position (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		2009		
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Derivative financial assets	–	**520**	–	**520**
Financial liabilities at FVTPL				
Derivative financial liabilities	–	**459**	–	**459**

There were no transfers between Level 1 and 2 in the current year.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2009, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$10,342,000 (2008: HK$17,575,000).

35. OPERATING LEASES

(a) Operating lease commitments

The Group as lessee

Minimum lease payments paid under operating leases:

	2009	2008
	HK$'000	HK$'000
Premises	**845**	845

35. OPERATING LEASES *(continued)*

(a) Operating lease commitments *(continued)*

The Group as lessee (continued)

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

	2009 HK$'000	2008 HK$'000
Within one year	501	781
In the second year	–	504
	501	1,285

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

The Group as lessor

Property rental income earned during the year was approximately HK$672,000 (2008: HK$568,000). The outgoings of the rental income were approximately HK$42,000 (2008: HK$42,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	2009 HK$'000	2008 HK$'000
Within one year	303	250
In the second to fifth year inclusive	143	83
	446	333

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

36. CAPITAL COMMITMENT

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**15,790**	15,815
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**11,364**	–

37. PLEDGE OF ASSETS

As at 31 December 2009, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	HK$'000
Buildings	141,776
Plant and machinery	31,072
Restricted bank deposits	80,105
Prepaid lease payments	23,150
	276,103

As at 31 December 2008, the equity interests of two PRC subsidiaries with net asset values of approximately HK$380,254,000 were pledged to banks to secure general banking facilities granted to the Group. During the year ended 31 December 2009, the equity interests of these two PRC subsidiaries were discharged and released from banks.

38. RETIREMENT BENEFITS SCHEMES

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

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

38. RETIREMENT BENEFITS SCHEMES *(continued)*

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

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 January 2010, the Company entered into an investment co-operation agreement and a supplemental agreement with an independent third party, a shareholder and director of the independent third party and TC (BVI) Limited, a wholly owned subsidiary of the Company, for the proposed establishment of a non wholly-owned subsidiary of the Company with principal activities of manufacturing and trading of light emitting diode, its registered capital shall be RMB120 million. Details of the proposed transaction are disclosed in the Company's announcement and circular dated 18 January 2010 and 22 April 2010, respectively.

(b) On 21 January 2010, the Company entered into a conditional top-up placing and subscription agreement with a placing agent and a subscriber for the placing of up to an aggregate of 48,000,000 shares of HK$0.1 each at HK$1.30 per placing share. The transaction was completed on 27 January 2010. The net proceeds of approximately HK$59,400,000 will be applied towards general working capital of the Group.

(c) On 21 January 2010, the Company entered into a conditional warrant subscription agreement with independent third parties with warrant subscription of a total of 35,000,000 warrants to be issued at HK$0.05 per warrant, at a conversion price of HK$1.45 per share for a period of twelve months commencing from the date of issue of the warrants. The warrant subscription was approved by an ordinary resolution in the Extraordinary General Meeting of the Company held on 1 March 2010. The transaction was completed on 9 March 2010. The net proceeds of approximately HK$1,450,000 will be applied as general working capital of the Group.

40. RELATED PARTY DISCLOSURES

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

(a) The remuneration of directors (representing key management) during the year are set out in note 12.

(b) During the year ended 31 December 2009, Mr. Yeung and executive director of the Company, agreed with the Company to extend the repayment date of the loan of HK$20,627,000 from 29 June 2010 to 31 January 2011. Details are disclosed in note 27.

(c) As at 31 December 2009, the Group's bank loan of approximately HK$17,045,000 (2008: nil) was secured by a personal guarantee of Mr. Yeung.

41. SEGMENTAL INFORMATION

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

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker, Chief Executive Officer, for making strategic decisions. The reports are prepared by products and presented in three operating segments presented. Summarised details of each of the three operating segments are as follows:

- Manufacturing and trading of Single-sided printed circuit boards ("PCB") ("Single-sided")
- Manufacturing and trading of Double-sided PCB ("Double-sided")
- Manufacturing and trading of Multi-layered PCB ("Multi-layered")

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

Segment turnover and profits

The following is an analysis of the Group's turnover and results by operating segment.

	2009 **HK$'000**	2008 HK$'000
TURNOVER – external sales		
Single-sided	**197,837**	199,836
Double-sided	**216,971**	309,102
Multi-layered	**324,506**	329,932
Total	**739,314**	838,870

	2009 **HK$'000**	2008 HK$'000
RESULT		
Segment results		
– single-sided	**6,656**	3,618
– double-sided	**11,986**	21,886
– multi-layered	**13,558**	14,928
	32,200	40,432
Other income	**2,065**	15,929
Central administrative costs	**(6,012)**	(8,986)
Fair value changes on investment designated as at fair value through profit or loss	**(459)**	–
Fair value changes on derivative financial instruments	**(430)**	2,504
Fair value changes on investment properties	**700**	(400)
Finance costs	**(11,596)**	(17,988)
Profit before tax	**16,468**	31,491

41. SEGMENTAL INFORMATION *(continued)*

Segment turnover and profits *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee and depreciation of property, plant and equipment for administrative purpose), fair value changes on investment designated as at fair value through profit or loss, fair value changes on derivative financial instruments, fair value changes on investment properties and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

Other segment information

Amounts included in the measure of segment profit:

	2009 **HK$'000**	2008 HK$'000
Depreciation and amortisation		
– single-sided	**6,694**	3,310
– double-sided	**11,940**	13,362
– multi-layered	**30,844**	26,717
	49,478	43,389
– unallocated	**2,499**	5,649
	51,977	49,038
Net impairment loss (reversed) recognised in respect of trade receivables		
– single-sided	**(240)**	2,571
– double-sided	**(263)**	3,977
– multi-layered	**(394)**	4,245
	(897)	10,793
Impairment loss (reversed) recognised in respect of inventories		
– single-sided	**(181)**	181
– double-sided	**(485)**	485
– multi-layered	**(284)**	284
	(950)	950

41. SEGMENTAL INFORMATION *(continued)*

Geographical information

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

The Group's revenue from external customers by geographical location of customers is detailed below:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia:				
HK	**215,675**	219,148	**8,322**	7,510
Taiwan	**154,787**	234,513	**–**	–
The PRC (excluding HK and Taiwan)	**140,240**	110,897	**463,574**	483,900
Japan	**12,124**	52,928	**–**	–
Other Asian regions	**74,627**	43,882	**–**	–
Europe	**79,870**	147,839	**–**	–
Others	**61,991**	29,663	**–**	–
	739,314	838,870	**471,896**	491,410

Information about major customers

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

	2009	2008
	HK$'000	HK$'000
Customer A *(note)*	**82,171**	95,434

Note: The revenue is mainly from multi-layered segment.

42. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's wholly-owned principal subsidiaries at 31 December 2009 and 2008 are set out below:

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

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

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

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

RESULTS

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	495,632	613,156	740,968	838,870	**739,314**
Profit for the year	37,289	39,098	60,034	27,721	**11,137**

ASSETS AND LIABILITIES

	At 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	491,523	692,799	921,151	925,576	**944,815**
Total liabilities	(343,364)	(450,943)	(612,671)	(589,859)	**(590,390)**
Shareholders' funds	148,159	241,856	308,480	335,717	**354,425**

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