SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 00058

Annual Report 2010

Contents

Corporate Information

DIRECTORS

Executive:
Wong King Ching, Helen (Chairman)
Wong King Man (Deputy Chairman)
Leung Chi Fai (Finance Director)

Non-executive:
Wong Chun Ying
Wong Kim Seong
Kan Lai Kuen *
So Day Wing *
Wong Kun Kim *

* Independent non-executive director

COMPANY SECRETARY
Leung Chi Fai

LEGAL ADVISERS TO THE COMPANY
As to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITORS
Crowe Horwath (HK) CPA Limited
34/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

AUTHORISED REPRESENTATIVES
Wong King Ching, Helen
Leung Chi Fai

AUDIT COMMITTEE MEMBERS
Kan Lai Kuen
So Day Wing
Wong Kun Kim

REMUNERATION COMMITTEE
Wong King Ching, Helen
Leung Chi Fai
Kan Lai Kuen
So Day Wing
Wong Kun Kim

NOMINATION COMMITTEE
Wong King Ching, Helen
Wong King Man
Leung Chi Fai
Kan Lai Kuen
So Day Wing
Wong Kun Kim

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Room 1708–1710
Nan Fung Centre
264–298 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
In Hong Kong:
Bank of China (Hong Kong) Ltd.
Citic Ka Wah Bank Limited
Dah Sing Bank Ltd.
The Hong Kong and Shanghai Banking Corporation Ltd.

In The People's Republic of China:
Bank of China Ltd.
Industrial and Commercial Bank of China Ltd.

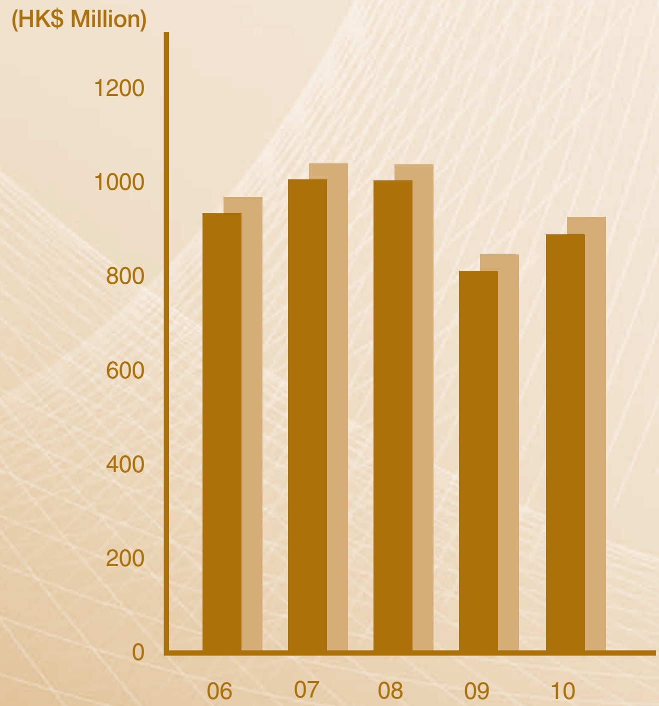
WEBSITE ADDRESS AND CONTACT
http://www.sunwayhk.com
http://www.irasia.com/listco/hk/sunway
Telephone : (852) 2413 6812
Fax : (852) 2413 6859

STOCK CODE
The Stock Exchange of Hong Kong Limited: 58

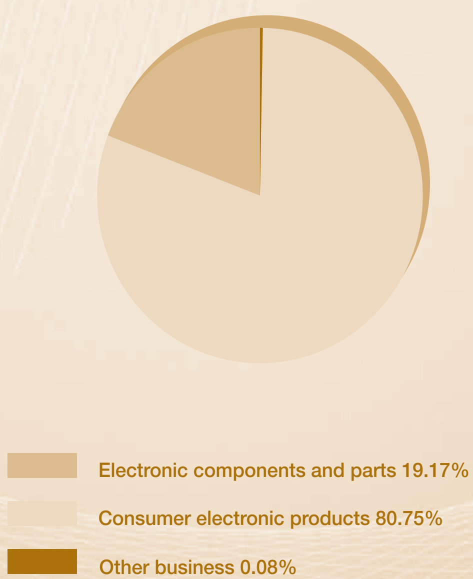
Financial Highlights

	2010 HK$'000	2009 HK$'000
OPERATING RESULTS		
Revenue	981,860	941,458
Loss for the year attributable to owners of the Company	(36,724)	(172,569)
Loss per share-basic and diluted	(4 cents)	(17 cents)
Proposed final dividend per share	Nil	Nil
FINANCIAL POSITION		
Total assets	1,225,003	1,103,009
Cash and bank balances	98,809	109,918
Shareholders' funds	810,243	805,657
FINANCIAL RATIOS		
Current ratio	1.7	1.9
Gearing ratio	51.2%	36.9%

SHAREHOLDERS' FUNDS



TURNOVER BY BUSINESS SEGMENTS



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present Sunway International Holdings Limited's Annual Report for the year ended 30 September 2010.

The financial year 2010 remained challenging for Sunway. Like most of the manufacturers in PRC, the Group suffered from inflation pressure which resulted in rise in manufacturing costs, especially material costs and labour costs. Market competition in consumer products was always keen. To cope with the changing business environment, the Group continued in development and launching of various type of products to differentiate itself. With the positive feedback for the new products, the Group's turnover was under steady growth by 4.3% in comparing with last year.

This year, we recorded substantial increase in sales revenue from Mainland China, other Asian and American countries. This was a positive sign of recovery in these countries. However, sales revenue from European countries was negatively impacted by its new financial crisis and economical uncertainties.

Looking forward, we remain optimistic on outlook of our business. In customer aspect, we expected to enhance the market shares by strengthening relationships with existing customers; attracting new customers and exploration of new markets. In product aspect, we will utilise our competitive advantages to develop and innovate new products.

We understand product differentiation is a trend of the customer product market. In the coming year, new models of high-end calculators and digital consumer products, such as e-book and tablet personal computer, will be launched. We hope our average gross profit margin will be raised by a better profit contribution from these products.

Facing the challenges from changing business environment, we will review our existing businesses and update the business plans and strategies regularly. Our aim is to have better utilisation of the Group's resource in order to maximize every shareholder's interest.

On behalf of the board, I would like to express my gratitude to our management and staff for their invaluable effort and contributions in the past year. I would also like to thank our customers, suppliers, business associates and shareholders for their continuous supports.

Wong King Ching, Helen
Chairman

Hong Kong
26 January 2011

Management Discussion and Analysis

REVIEW OF RESULTS AND OPERATION

Turnover of the Group for the year ended 30 September 2010 increased by 4.3% to HK$981,860,000, compared to HK$941,458,000, reported last year. Gross profit for the year was HK$70,340,000, compared to gross loss of HK$55,294,000 last year. Apart from absent of the effect of provision for obsolescent made last year, selling price of various products has generally increased and sales performance of those higher profit margin products such as, e-book, improved. As a result, gross profit was increased by HK$125,634,000.

Net loss of the Group was also improved by HK$135,845,000 to HK$36,724,000 for the year ended 30 September 2010 compared to HK$172,569,000 last year.

Turnover of electronic calculators was HK$454,970,000 representing a decrease by 12.7% compared to HK$520,876,000 last year. Sales of electronic calculators contributed 46.3% of the Group's turnover for the year and remained to be the largest business segment of the Group. We continued in launching new models of high-end electronic calculators this year. However, the demand of low-end electronic calculators dropped during the year. Also, we were more focusing on the development of digital products with higher profit margin which resulted in dropped of sales in electronic calculators.

Sales of electronic watches and clocks increased by 16.2% to HK$151,213,000 compared to HK$130,079,000 last year. It accounted for 15.4% of the Group's total turnover for the year. The growth in sales of this segment was contributed by launching new models of electronic watches and clocks.

Telephone products recorded a turnover of HK$31,139,000, dropped by 67.1% compared to HK$94,647,000 last year. It represented 3.2% of the Group's turnover for the year. Competition in telephone market is high in recent years, therefore, the Group is more focus on other segments and caused a significant drop in the turnover of this section.

Sales of digital products amounted to HK$155,574,000, increased by 2.7 times compared to HK$41,875,000 last year. It represented 15.8% of the Group's turnover for the year. With the recovering market condition, demand of digital products from American and Asian countries increased. Also, the Group launched various new models of digital product, such as digital photo frame and e-book, this year which contributed to the growth in sales of this segment.

Revenue from liquid crystal displays ("LCD") was HK$79,144,000, under steady growth compared to HK$78,343,000 last year. It represented 8.1% of the Group's turnover for the year.

Finance costs were HK$6,527,000 due to the cost of financing for our operations in China.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and Mainland China. At 30 September 2010, the total shareholders' equity of the Group was approximately HK$810,243,000, an increase of 0.6% over last year. The Group's cash and bank balances and time deposits stood at HK$98,809,000. The Group's bank loans were HK$167,848,000 and trust receipt loans were HK$4,725,000 this year. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was 51.2%. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

CAPITAL STRUCTURE

No repurchases of shares were made during the year. On 2 November 2009, 90,600,000 share options were granted to certain directors and employees of the Group. During the year, 500,000 share options were lapsed and no share options were exercised.

Management Discussion and Analysis

PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK$12,314,000 and time deposits of HK$27,058,000, together with personal guarantees given by the directors of the Company and the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2010, such facilities were utilised to the extent of approximately HK$17,795,000.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of about HK$65.4 million of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Ltd. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Ltd proceeded at a slower pace than anticipated, the Directors are considering allocating part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 9,000 full time management, administrative, technical and production staff in Mainland China and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong Dollar, Renminbi or US Dollar, financial instruments for hedging purposes is considered not necessary as the exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

At 30 September 2010, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary of the Company amounting to HK$58,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PROSPECTS

After the drastic contraction in the past two years, the worldwide economy is anticipated to be in a better shape in the coming year. Looking ahead, we see opportunities as well as challenges in the market as we expected the continuing appreciation of the Renminbi, inflation in PRC and another financial crisis in European countries.

During the year, LED talking clock was launched with favourable feedback from the market. Continuing development and launchment of new products to cope with the market needs and production of high-quality products are always essential for the Group to maintain it's competitive and market shares.

We remain confident that our existing businesses will continue to improve the results. A number of our products, including high-end calculators and digital consumer products are expected to achieve satisfactory growth in the coming year.

In the coming year, the Group will continue to innovate new products and develop new models of high-end calculators and digital consumer products such as e-book, tablet personal computer, digital photo frame, camera and LED products, etc.

Management Discussion and Analysis

Meanwhile, the Group will also continue to expand its current sales and distribution network in PRC, with a view to increasing its domestic sales to capture additional market shares. We will also seek opportunities for co-operation with the world's leading calculator brands for the OEM business which would generate synergy effects with the Group.

While the Group will continue to implement cost control measures to improve further its overall operational efficiency, we will also seize expansion opportunities arising from the market turnaround with a view to improve its profitability. We believe we can overcome the challenges and improve every aspect of our operation in the coming year.

Wong King Ching, Helen
Chairman

Hong Kong
26 January 2011

Biographical details of Directors and Senior Management

DIRECTORS

Executive Directors

Ms. Wong King Ching, Helen, aged 37, is the Chairman of the Group. Ms. Wong is responsible for directing the Group's development, formulation of business policies and overall corporate management. She also oversees the Group's marketing and sales strategies and activities in Mainland China and the Asia-Pacific markets. After completion of her studies in the United States of America, Ms. Wong joined the Group in 1996 as an Executive Director and has over 14 years of experience in corporate management in electronics industry.

Ms. Wong King Man, aged 36, is the Deputy Chairman of the Group. She is responsible for overseeing the Group's procurement policies and materials management. Ms. Wong graduated from The University of Toronto with a Bachelor of Arts degree major in Economics. She has participated in the operations of the Group for more than 13 years. She is the younger sister of Ms. Wong King Ching, Helen.

Mr. Leung Chi Fai, aged 43, is the finance director and the company secretary of the Group. He is responsible for the finance, accounting and corporate secretarial functions. Prior to joining the Group in 1996, Mr. Leung had 5 years of working experience in an international auditing firm. Mr. Leung is a Fellow Member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Ms. Kan Lai Kuen, aged 56, is accredited as investment adviser by the Securities and Futures Commission in Hong Kong. Ms. Kan is a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Kan has over 22 years of experience in finance and accounting of which over 17 years are in corporate finance.

Mr. So Day Wing, aged 62, graduated with a Bachelor of Business Administration degree from the Chinese University of Hong Kong and also holds a Postgraduate Diploma from the University of Strathclyde. He is a Member of the Institute of Chartered Accountants of Scotland and a Member of The Hong Kong Institute of Certified Public Accountants.

Ms. Wong Chun Ying, aged 58, has been working as a manager with a wholly-owned subsidiary of the Company for over 11 years and has accumulated rich experience in the electronics industry. She is the mother of Ms. Wong King Ching, Helen and Ms. Wong King Man, both being executive directors of the Company.

Mr. Wong Kim Seong, aged 80, the grandfather of Ms. Wong King Ching, Helen, is the honorary chairman of the Group. He acts as the Group's advisor on business development. Mr. Wong has been engaged in the electronics industry for over 23 years with extensive experience in production, marketing and sales of electronic products.

Mr. Wong Kun Kim, aged 66, is a registered investment advisor with The Securities and Futures Commission in Hong Kong. Mr. Wong had previously served as consultants and directors for different listed companies in Hong Kong, Taiwan, China and United States of America. He has over 37 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates.

Biographical details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Yun Kai, aged 38, is the research and development manager, who specialises in the design of moulds. Prior to joining the Group, he has over 14 years of experience in moulds designing.

Mr. Huang Ming Tan, aged 45, is the manager of quality assurance department and is responsible for quality control functions in Mainland China. He graduated from Fuzhou University and has accumulated over 16 years of experience in quality assurance and control.

Mr. Li Wei, aged 44, is the assistant technical manager who specialises in printed circuit board production and development. He has worked for many famous companies and has accumulated over 22 years of experience in the field.

Mr. Rui Jian Hua, aged 53, is the Deputy General Manager of the Group. He oversees the purchasing and maintenance of the Group's production facilities as well as the sales operations in Mainland China factory. Mr. Rui holds a bachelor's degree from The Jiangsu Television University, the Mainland China. Prior to joining the Group in 1996, he worked for various international electronics companies at management level and has 29 years of experience in the electronics industry.

Mr. Xiang Hou Lin, aged 42, is the research and development manager. He has over 16 years of experience in designing and developing electronic products in certain large electronics manufacturers and he specialises in designing and developing electronic consumer products in the Group.

Mr. Xu Jian Xing, aged 39, the manager of quartz crystals production department. He has worked for the Group for 16 years, with focus on the production planning and management of quartz crystals.

Mr. Xu Jing Xing, aged 44, is the deputy finance manager and is responsible for financial and accounting functions in Mainland China. Prior to joining the Group, he has worked as a senior accountant for over 14 years.

Mr. Zheng Xiang Yang, aged 43, is the assistant production planning manager. He has 19 years of experience in computing software development and internet management and materials management and has held related position in the Group for 14 years. He is responsible for internal coordination, materials management and production planning and control.

Report of the Directors

The directors present their annual report and the audited financial statements of the Company and of the Group for the year ended 30 September 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products). They are also engaged in the trading of electronics and related components and parts and computer components and accessories.

There were no significant changes in the nature of the principal activities of the Company and of the Group during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 30 September 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 90.

The directors do not recommend the payment of final dividend in respect of current year to the shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 30 September				
	2010	2009	2008	2007	2006
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**981,860**	941,458	1,091,120	1,088,876	1,027,607
(Loss)/Profit before tax	**(32,437)**	(167,521)	(92,164)	18,343	19,053
Tax	**(4,287)**	(5,048)	(2,998)	(4,765)	(4,576)
(Loss)/Profit for the year attributable to equity holders of the parent	**(36,724)**	(172,569)	(95,162)	13,578	14,477

SUMMARY FINANCIAL INFORMATION *(Continued)*

	As at 30 September				
	2010	2009	2008	2007	2006
ASSETS AND LIABILITIES	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**585,286**	564,947	593,635	551,335	466,209
Current assets	**639,717**	538,062	898,573	734,291	696,505
TOTAL ASSETS	**1,225,003**	1,103,009	1,492,208	1,285,626	1,162,714
Current liabilities	**387,107**	279,560	480,506	283,377	232,424
Non-current liabilities	**27,653**	17,792	22,961	6,428	5,843
TOTAL LIABILITIES	**414,760**	297,352	503,467	289,805	238,267
NET ASSETS	**810,243**	805,657	988,741	995,821	924,447

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the share capital and share options of the Company are set out in notes 30 and 31 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2010, the Company's reserves available for distribution, comprising the contributed surplus and retained profits, amounted to HK$209,393,000. In accordance with the Bermuda Companies Act 1981, the contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account of HK$177,325,000 as at 30 September 2010 may be distributed in the form of fully paid bonus shares.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 37% of the Group's total sales for the year and sales to the Group's largest customer accounted for 16% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 13% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 3% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive directors:

Ms. Wong King Ching, Helen *(Chairman)*
Mr. Leung Chi Fai
Ms. Wong King Man *(Deputy Chairman)*

Non-executive directors:

Mr. So Day Wing*
Mr. Wong Kim Seong
Mr. Wong Kun Kim*
Ms. Wong Chun Ying
Ms. Kan Lai Kuen*

* *Independent non-executive directors*

In accordance with clause 111 of the Company's bye-laws, Ms. Wong Chun Ying and Mr. Leung Chi Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Ms. Wong King Ching, Helen, and Mr. Leung Chi Fai entered into service contracts with the Company for an initial term of three years commencing from 1 August 1999 which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other. The Company has extended the service contracts with these directors until 31 July 2011.

DIRECTORS' SERVICE CONTRACTS *(Continued)*

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The non-executive directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest		
	Directly beneficially owned	Through controlled corporation	Percentage of the Company's issued share
Executive directors:			
Ms. Wong King Ching, Helen	200,000	280,000,000 (Note 1)	
Ms. Wong King Man	49,648,000 (Note 2)	280,000,000 (Note 1)	
Non-executive directors:			
Ms. Wong Chun Ying	49,648,000 (Note 2)	–	
Mr. Wong Kim Seong	10,000,000	–	
	59,848,000	280,000,000	33.4%

Notes:

1. These shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr. Wong Choi Fung ("Mr. Wong") and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, directors of the Company, are beneficiaries of the said estate, whose interests in the shares of Farnell Profits Limited will not be ascertained until completion of the administration of estate of the late Mr. Wong.

2. These shares are jointly held by Ms. Wong King Man and Ms. Wong Chun Ying.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

The directors have reviewed the connected transactions as defined under the Listing Rules, as set out in note 37 to the financial statements, and confirmed that such transactions were entered into in compliance with the following conditions:

(i) The audit committee had reviewed the transactions and confirmed that:

   (a) the transactions were entered into in the ordinary and usual course of business of the Group;

   (b) the transactions were entered into on normal commercial terms (to the extent that there were comparable transactions), and (where applicable) in accordance with the terms of the agreements governing such transactions or (where there was no agreement) on terms no less favourable than those available to or from independent third parties;

   (c) the transactions were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

   (d) the transactions do not exceed the limit set out in (iii)(d) below.

(ii) Details of the transactions were set out in the Company's annual report and financial statements as set out in Rule 14A.45(1) to (5) of the Listing Rules;

CONNECTED TRANSACTIONS *(Continued)*

(iii) The auditors of the Company have reviewed the transactions and confirmed that:

(a) the transactions were approved by the board of directors;

(b) the transactions were entered into in accordance with the terms of the agreements relating to the transactions in question;

(c) the transactions were entered into in accordance with the pricing policies of the Group; and

(d) the aggregate consideration paid or received in respect of the transactions in the financial year reported on did not exceed 3% of the consolidated turnover of the Group as shown in its audited financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 20 of the Annual Report.

AUDIT COMMITTEE

The Company's audit committee was established on 6 August 1999 in accordance with the requirements of the Code of Best Practice (the "Code") for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the audit committee at the date of this report comprised Ms. Kan Lai Kuen, Mr. So Day Wing and Mr. Wong Kun Kim, the three independent non-executive directors of the Company. The Group's financial statements for the year ended 30 September 2010 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements, and that adequate disclosures have been made.

AUDITORS

Crowe Horwath (HK) CPA Limited retires and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong King Ching, Helen
Chairman

Hong Kong
26 January 2011

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board of Directors (the "Board") will review and improve the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the deviations as disclosed in this report.

BOARD OF DIRECTORS

(1) Responsibilities

The Board of Directors is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition

The Board currently comprises 3 Executive Directors, 2 Non-executive Directors and 3 Independent Non-executive Directors.

The Board members for the year ended 30 September 2010 are:

Executive Directors

Wong King Ching, Helen
Wong King Man
Leung Chi Fai

Non-executive Directors

Wong Chun Ying
Wong Kim Seong

Independent Non-executive Directors

Wong Kun Kim
So Day Wing
Kan Lai Kuen

The biographies of the Directors are set out on pages 8 to 9 of this annual report.

During the year ended 30 September 2010, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors. The Company has received a written confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules. All the Independent Non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

Under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the reporting period, Ms. Wong King Ching, Helen holds both positions of the Chairman and the Chief Executive Officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Ms. Wong to hold both positions as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations.

Under Code Provision A.4.1, the Non-executive Directors should be appointed for a specific term, subject to re-election. The Independent Non-executive Directors of the Company are not appointed for specific terms. According to the Company's Bye-Law 111(A), one third of the directors shall retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition *(Continued)*

Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-Law 111(A) states that the Chairman is not subject to retirement by rotation and shall not be counted in determining the number of Directors to retire. In the opinion of the Board, the continuity of leadership role of the Chairman is important for the stability of the Company and is considered beneficial to the growth of the Company. The Board is of the view that the Chairman should not be subject to retirement by rotation at the present time.

AUDIT COMMITTEE

The Audit Committee is comprised of three Independent Non-executive Directors. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The committee is responsible for reviewing the Company's financial information, the financial and accounting policies and practices adopted by the Group, the compliance of listing rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The committee also monitors the appointment, the audit fees and function of the Group's external auditor.

Two Audit Committee meetings were held in 2009/10 to discuss and review the following matters:

1. review of the annual results for the year ended 30 September 2009 and the interim results for the period ended 31 March 2010;

2. consideration of the principal accounting policies adopted by the Group;

3. review the cash flow of the Group;

4. discussion on the control of accounts receivables;

5. discussion on the control of inventories;

6. review the related parties transactions;

7. review the adequacy and effectiveness of the internal control system and make recommendation to the Board for improvement of internal control, credit control and risk management;

8. discussion on the corporate governance matters as required by the Code on Corporate Governance Practices.

AUDIT COMMITTEE *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meetings held for the year ended 30 September 2010 are set out in the table below:

	No. of meetings attended/entitled to attend			
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Wong King Ching, Helen *(Chairman)*	2/2	–	1/1	1/1
Wong King Man *(Deputy Chairman)*	2/2	–	–	1/1
Leung Chi Fai	2/2	2/2	1/1	1/1
Non-executive Directors				
Wong Chun Ying	2/2	–	–	–
Wong Kim Seong	2/2	–	–	–
Independent Non-executive Directors				
Wong Kun Kim	2/2	2/2	1/1	1/1
So Day Wing	2/2	2/2	1/1	1/1
Kan Lai Kuen	2/2	2/2	1/1	1/1

AUDITOR'S REMUNERATION

The Statement of the Group's external auditor, Crowe Horwath (HK) CPA Limited, about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 21.

During the year ended 30 September 2010, the total fee paid/payable in respect of audit and non-audit services provided by the external auditor is set out below:

	2010 HK$'000	2009 HK$'000
Audit services	970	890
Tax services	49	48

REMUNERATION COMMITTEE

The Remuneration Committee, comprises the three Independent Non-executive Directors of the Company, the Chairman and Mr. Leung Chi Fai, the Finance Director of the Company, is responsible for reviewing and evaluating the remuneration packages of the Executive Directors and making recommendations to the Board of Directors from time to time.

NOMINATION COMMITTEE

The Nomination Committee, comprises the three Executive Directors and the three Independent Non-executive Directors of the Company. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

INTERNAL CONTROL

The Board is responsible for ensuring that a sound and effective internal control systems is maintained within the Group.

The Company has adopted a set of internal control procedures and policies to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively.

Internal audit of the Group covered the review of financial, operational and compliance controls and risk management functions of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that all Directors of the Company have complied with required standard set out in the Model Code throughout the year.

Independent Auditor's Report

TO THE SHAREHOLDERS OF
SUNWAY INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 90, which comprise the consolidated and Company statements of financial position as at 30 September 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 January 2011

Lau Kwok Hung
Practising Certificate No.: P04169

Consolidated Income Statement

For the year ended 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	6	981,860	941,458
Cost of sales		(911,520)	(996,752)
Gross profit/(loss)		70,340	(55,294)
Other income	6	10,647	12,907
Other net gain	6	815	6,270
Selling and distribution costs		(17,914)	(14,212)
Administrative expenses		(73,778)	(61,896)
Other operating expenses		(15,645)	(47,944)
Loss from operations		(25,535)	(160,169)
Finance costs	7(a)	(6,527)	(7,951)
Share of (loss)/profit of a jointly-controlled entity		(375)	599
Loss before taxation	7	(32,437)	(167,521)
Income tax	9	(4,287)	(5,048)
Loss for the year attributable to owners of the Company	10, 32	(36,724)	(172,569)
Loss per share			
– Basic and diluted	11	(4 cents)	(17 cents)

The notes on pages 29 to 90 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Loss for the year attributable to owners of the Company		**(36,724)**	(172,569)
Other comprehensive income/(loss) for the year (net of tax)	12		
Exchange differences on translation of financial statements of foreign operations		**13,108**	–
Surplus/(deficit) on revaluation of property, plant and equipment		**27,120**	(7,238)
(Loss)/gain arising on change in fair value of available-for-sale investments		**(936)**	1,803
Total comprehensive income/(loss) for the year attributable to owners of the Company		**2,568**	(178,004)

The notes on pages 29 to 90 form part of these financial statements.

Consolidated Statement of Financial Position

At 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**444,565**	419,642
Investment properties	14	**48,404**	48,450
Prepaid land lease payments	15	**69,801**	70,184
Interest in a jointly-controlled entity	17	**14,840**	14,985
Available-for-sale investments	18	**7,025**	7,337
Deposits paid for acquisition of property, plant and equipment	19	**651**	4,349
		585,286	564,947
CURRENT ASSETS			
Inventories	20	**285,896**	222,643
Trade receivables	21	**196,409**	171,640
Prepayments, deposits and other receivables	22	**58,523**	33,225
Derivative financial instruments	23	**–**	556
Pledged time deposits	24	**27,058**	11,190
Tax recoverable		**80**	80
Cash and cash equivalents	24	**71,751**	98,728
		639,717	538,062
CURRENT LIABILITIES			
Trade payables	25	**145,110**	121,672
Accrued liabilities and other payables	25	**39,081**	29,825
Due to a director	26	**293**	2,020
Due to a jointly-controlled entity	17	**22**	194
Interest-bearing bank borrowings	27	**172,573**	93,672
Tax payable		**30,028**	32,177
		387,107	279,560
NET CURRENT ASSETS		**252,610**	258,502
TOTAL ASSETS LESS CURRENT LIABILITIES		**837,896**	823,449
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**–**	3,459
Deferred tax liabilities	28	**26,963**	13,515
Provision for long service payment	29	**690**	818
		27,653	17,792
NET ASSETS		**810,243**	805,657
EQUITY			
Share capital	30	**101,600**	101,600
Reserves	32	**708,643**	704,057
TOTAL EQUITY		**810,243**	805,657

Approved and authorised for issue by the board of directors on 26 January 2011

Wong King Ching, Helen
Director

Leung Chi Fai
Director

The notes on pages 29 to 90 form part of these financial statements.

Statement of Financial Position

At 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	118,577	118,577
Available-for-sale investments	18	7,025	7,337
		125,602	125,914
CURRENT ASSETS			
Due from subsidiaries	16	366,303	385,901
Derivative financial instruments	23	–	556
Cash and cash equivalents	24	401	170
		366,704	386,627
CURRENT LIABILITIES			
Accrued liabilities and other payables	25	358	709
Due to a subsidiary	16	2	2
		360	711
NET CURRENT ASSETS		366,344	385,916
TOTAL ASSETS LESS CURRENT LIABILITIES		491,946	511,830
NON-CURRENT LIABILITIES			
Provision for long service payment	29	245	245
NET ASSETS		491,701	511,585
EQUITY			
Share capital	30	101,600	101,600
Reserves	32	390,101	409,985
TOTAL EQUITY		491,701	511,585

Approved and authorised for issue by the board of directors on 26 January 2011

Wong King Ching, Helen
Director

Leung Chi Fai
Director

The notes on pages 29 to 90 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2010

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve fund HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total HK$'000
At 1 October 2008	101,600	177,325	56,471	509	–	52,489	176,457	12,928	–	405,882	5,080	988,741
Deficit on revaluation of property, plant and equipment	–	–	–	–	–	(7,238)	–	–	–	–	–	(7,238)
Gain arising on change in fair value of available-for-sale investments	–	–	–	–	–	–	–	–	1,803	–	–	1,803
Other comprehensive (loss)/ income for the year	–	–	–	–	–	(7,238)	–	–	1,803	–	–	(5,435)
Loss for the year	–	–	–	–	–	–	–	–	–	(172,569)	–	(172,569)
Total comprehensive (loss)/ income for the year	–	–	–	–	–	(7,238)	–	–	1,803	(172,569)	–	(178,004)
Transfer to retained profits	–	–	–	–	–	(77)	–	–	–	77	–	–
2008 final dividends paid	–	–	–	–	–	–	–	–	–	–	(5,080)	(5,080)
At 30 September 2009	101,600	177,325	56,471	509	–	45,174	176,457	12,928	1,803	233,390	–	805,657
At 1 October 2009	101,600	177,325	56,471	509	–	45,174	176,457	12,928	1,803	233,390	–	805,657
Exchange difference on consolidation	–	–	–	–	–	–	13,108	–	–	–	–	13,108
Surplus on revaluation of property, plant and equipment	–	–	–	–	–	27,120	–	–	–	–	–	27,120
Loss arising on change in fair value of available-for-sale investments	–	–	–	–	–	–	–	–	(936)	–	–	(936)
Other comprehensive income/ (loss) for the year	–	–	–	–	–	27,120	13,108	–	(936)	–	–	39,292
Loss for the year	–	–	–	–	–	–	–	–	–	(36,724)	–	(36,724)
Total comprehensive income/ (loss) for the year	–	–	–	–	–	27,120	13,108	–	(936)	(36,724)	–	2,568
Recognition of equity-settled share-based payments	–	–	–	–	2,018	–	–	–	–	–	–	2,018
Lapse of share options	–	–	–	–	(11)	–	–	–	–	11	–	–
At 30 September 2010	101,600	177,325	56,471	509	2,007	72,294	189,565	12,928	867	196,677	–	810,243

The notes on pages 29 to 90 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Loss before taxation	(32,437)	(167,521)
Adjustments for:		
Depreciation	64,310	61,897
Amortisation of prepaid land lease payments	1,428	1,428
Loss on disposal of property, plant and equipment	–	986
Bank and other interest income	(2,297)	(5,872)
Dividend income	(225)	(103)
Loss/(gain) arising on change in fair value of investment properties	797	(6,270)
Deficit on revaluation of property, plant and equipment	–	69
Surplus on revaluation of property, plant and equipment	1,545	–
Finance costs	6,527	7,951
Allowance for doubtful debts	5,571	46,998
(Reversal of write down)/write down of inventories	(9,704)	66,768
(Reversal)/provision for long service payment	(128)	30
Recognition of equity-settled share-based payments	2,018	–
(Gain)/loss on disposal of derivative financial instruments	(67)	2,059
Loss arising on change in fair value of derivative financial instruments	–	133
Share of loss/(profit) of a jointly-controlled entity	375	(599)
Operating profit before working capital changes	37,713	7,954
(Increase)/decrease in inventories	(50,035)	105,078
(Increase)/decrease in trade receivables	(25,886)	17,829
(Increase) in prepayments, deposits and other receivables	(25,277)	(13,357)
Increase/(decrease) in trade payables	22,139	(23,977)
Increase/(decrease) in accrued liabilities and other payables	8,896	(17,460)
(Decrease) in amount due to a director	(1,759)	(357)
Cash (used in)/generated from operations	(34,209)	75,710
Interest received	607	5,872
Interest paid	(6,527)	(7,951)
Income tax paid	(6,141)	(4,116)
Net cash (used in)/generated from operating activities	(46,270)	69,515

Consolidated Statement of Cash Flows

For the year ended 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Investing activities			
Purchases of property, plant and equipment		(8,659)	(10,656)
Purchases of available-for-sale investment		–	(672)
Proceeds from disposal of property, plant and equipment		–	142
Dividend income		225	103
Additions to construction in progress		(29,704)	(17,941)
Proceeds from disposal of investment property		–	2,900
(Increase)/decrease in pledged time deposits		(15,868)	128,884
(Repayment)/advance from a jointly-controlled entity		(175)	221
Net cash (used in)/generated from investing activities		(54,181)	102,981
Financing activities			
Decrease in trust receipt loans		(525)	(1,586)
New bank loans		258,998	350,300
Repayment of bank loans		(184,130)	(514,422)
Dividends paid		–	(5,080)
Net cash generated from/(used in) financing activities		74,343	(170,788)
Net (decrease)/increase in cash and cash equivalents		(26,108)	1,708
Cash and cash equivalents at the beginning of the year		98,728	97,020
Effect of foreign exchange rate changes, net		(869)	–
Cash and cash equivalents at the end of the year		71,751	98,728
Analysis of balances of cash and cash equivalents			
Cash and bank balances	24	71,751	98,728

The notes on pages 29 to 90 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2010

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability under the Bermuda Companies Act 1981 as an exempted company, on 18 August 1998. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and on the Singapore Exchange Securities Trading Limited but delisted from the latter on 30 July 2010. The addresses of the registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1708-1710, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong, respectively.

During the year, the Company's principal activity was investment holding. The principal activities of the subsidiaries comprised the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products). They were also engaged in the trading of integrated circuits and computer components and accessories. There were no significant changes in the nature of the Company's and Group's principal activities during the year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 September 2010 comprise the Company and its subsidiaries and the Group's interest in a jointly-controlled entity.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK$.

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment property

– certain property, plant and equipment

– available-for-sale investments

– derivative financial instruments

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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. Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

In the Company's statement of financial position, investments in subsidiaries and amounts due from subsidiaries are stated at cost less impairment losses (see note 2(e)).

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes that the group or company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(e)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in jointly controlled entities.

In the Company's statement of financial position, its investments in jointly controlled entities are stated at cost less impairment losses (see note 2(e)). The results of the jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities (see note 2(e)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade receivables and other financial assets carried at amortised cost, 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 of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

– For available-for-sale equity securities which are stated at fair value, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– lease prepayments; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(q)(iv) and (iii) respectively.

Investments in equity securities that do not have a listed market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(e)).

Other investments in equity securities are classified as available-for-sale investments and are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(q)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(q)(iii). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, it is measured at cost less impairment (because its fair value cannot be measured reliably).

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment and depreciation

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

Changes in the values of property, plant and equipment are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	2% to 5%
Leasehold improvements	10%
Plant, machinery and office equipment	10%
Motor vehicles	10%
Moulds	10%
Furniture and fixtures	10%

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Construction in progress represents buildings and structures under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(ii).

(i) Leased assets

Prepaid land lease payments represent payments made to acquire leasehold land. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 2(e)). Amortisation is charged to profit or loss on a straight-line basis over the lease term, except when an alternative basis is more representative of the pattern of benefits to be derived from the leasehold land.

Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(e)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p)(ii) if and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable provided it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) From the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) Rental income receivable under operating leases, recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned;

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(iii) Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(iv) Dividend income from unlisted investments, when the shareholder's right to receive payment is established. Dividend income from listed investments, when the share price of the investment goes ex-dividend.

(r) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits

(i) Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of the Company ("market conditions"), if applicable.

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is used as substitute for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, and accounted for as described in the previous paragraph.

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

(ii) Employment Ordinance long service payments

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

For the year ended 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For the year ended 30 September 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, Paragraph 80 to HKAS 39, HK(IFRIC) - Int 9 and HK(IFRIC) - Int 16
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items
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 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of assets from customers

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 and the financial position of the Company for the current or prior accounting periods.

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.

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 October 2009. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 October 2009.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 7 (Amendment) Improving disclosures about financial instruments

As a result of the adoption of the amendments to HKFRS 7, the consolidated financial statements include expanded disclosures in note 39(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

HKFRS 8 Operating segments

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

On 29 November 2010, the HKICPA issued Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*.

This Interpretation requires that the classification of a term loan as a current or a non-current liability in accordance with paragraph 69(d) of HKAS 1 Presentation of Financial Statements should be determined by reference to the rights and obligations of the lender and the borrower, as contractually agreed between the two parties and in force as of the reporting date.

Therefore, the Interpretation requires that amounts payable under a loan agreement which includes a clause that gives the lender an unconditional right to call the loan at any time should be classified by the borrower as current liabilities in the statement of financial position.

The Interpretation is immediately effective upon issue and requires retrospective application.

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective for annual periods beginning on 1 October 2009:

HKFRSs (Amendments)	Amendments to HKAS 1, 7, 17, 36 and 39 and HKFRS 5 and 8 as parts of improvements to HKFRSs issued in 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases[1]

For the year ended 30 September 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

1 Amendments that are effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1 July 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 January 2013.
7 Effective for annual periods beginning on or after 1 July 2011.

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 (1) are held within a business model whose objective is to collect the contractual cash flows and (2) 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. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments – Group as lessor

The Group has entered into commercial property lease on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of this property which is leased out on an operating lease.

(ii) Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(Continued)*

(iii) Classification between investment properties and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iv) Estimated valuation of investment properties and property, plant and equipment

In determining the fair value of investment properties and property, plant and equipment, the valuer has based on valuation techniques which involve, inter alia, certain estimates including comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

(v) Income taxes

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

Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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, are discussed below.

(i) Impairment test of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Useful lives of property, plant and equipment and depreciation

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Write down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 2(m). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value.

(iv) Valuation of share options

The Binomial Option Pricing model was applied to estimate the fair value of share options granted by the Company and certain of its subsidiaries. This pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

(v) Provision

A provision is recognised when a present obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Significant estimation is required in determining the amount of certain obligations. Where the final outcomes of these obligations are different from the amounts that were initially recognised, adjustments will be made according to the latest information available.

For the year ended 30 September 2010

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The Group has identified the following three reporting segments. These segments are managed separately.

(a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic and related components and parts;

(b) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products; and

(c) the trading segment consists of the trading of integrated circuits and computer components and accessories.

Since (c) individually do not meet the quantitative thresholds to be separately reported, (c) is reported under "Other business".

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(v). Segment loss represents the loss from each segment without allocation of central administration costs (e.g., directors' remuneration, share of (loss)/profit of a jointly-controlled entity and finance costs). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

No sales is carried out between segments. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the profit or loss.

All assets are allocated to reportable segments other than interest in a jointly-controlled entity and unallocated assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than current tax liabilities and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

For the year ended 30 September 2010

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker is set out below:

	Electronic components and parts		Consumer electronic products		Other business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue								
Revenue from external customers	**188,224**	153,115	**792,896**	787,478	**740**	865	**981,860**	941,458
Reportable segment (loss)/ profit from operations	**(5,662)**	(29,665)	**(28,418)**	(142,242)	**2**	(42)	**(34,078)**	(171,949)
Other income							**10,647**	12,907
Other net gain							**815**	6,270
Finance costs							**(6,527)**	(7,951)
Share of (loss)/profit of a jointly-controlled entity							**(375)**	599
Unallocated head office and corporate expenses							**(2,919)**	(7,397)
							(32,437)	(167,521)
Depreciation	**15,096**	22,880	**48,598**	38,461	**616**	556	**64,310**	61,897
Amortisation of prepaid land lease payments	**–**	–	**–**	–	**1,428**	1,428	**1,428**	1,428
(Reversal of write down)/ write down of inventories	**(2,300)**	14,077	**(7,404)**	52,691	**–**	–	**(9,704)**	66,768
Allowance for doubtful debts	**1,155**	7,424	**4,420**	39,516	**(4)**	58	**5,571**	46,998
Reportable segment assets	**271,356**	270,773	**702,250**	567,699	**87**	228	**973,693**	838,700
Reportable segment liabilities	**28,767**	20,834	**134,646**	127,574	**4**	91	**163,417**	148,499
Additions to property, plant and equipment (i.e., non-current assets other than financial assets and deferred tax assets)	**9,969**	4,800	**32,092**	24,716	**–**	3,564	**42,061**	33,080

Notes to the Financial Statements

For the year ended 30 September 2010

5. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2010 HK$'000	2009 HK$'000
Revenue		
Consolidated turnover	981,860	941,458
Loss		
Total reportable segments' loss	(34,078)	(171,949)
Reportable segment loss derived from Group's external customers	(34,078)	(171,949)
Share of (loss)/profit of a jointly-controlled entity	(375)	599
Bank and other interest income	2,297	5,872
Other income and other net gain	9,165	13,305
Finance costs	(6,527)	(7,951)
Unallocated head office and corporate expenses	(2,919)	(7,397)
Consolidated loss before taxation	(32,437)	(167,521)
Assets		
Total reportable segments' assets	973,693	838,700
	973,693	838,700
Interest in a jointly-controlled entity (accounted for by the equity method) (Note 1)	14,840	14,985
Unallocated head office and corporate assets	229,445	241,987
Available-for-sale investments	7,025	7,337
Consolidated total assets	1,225,003	1,103,009
Liabilities		
Total reportable segments' liabilities	(163,417)	(148,499)
	(163,417)	(148,499)
Unallocated head office and corporate liabilities	(194,352)	(103,161)
Current tax liabilities	(30,028)	(32,177)
Deferred tax liabilities	(26,963)	(13,515)
Consolidated total liabilities	(414,760)	(297,352)

Note 1: Interest in a jointly-controlled entity is not included in the measure of segment assets but are regularly provided to the chief operating decision maker.

For the year ended 30 September 2010

5. SEGMENT INFORMATION *(Continued)*

(c) Geographic information

The following is an analysis of geographical location of the Group's revenue from external customers and the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets are based on the physical location of the assets, in case of property, plant and equipment, the location of the operation to which they are allocated, in case of intangible assets and goodwill, and the location of operations, in case of interests in a jointly-controlled entity.

	Hong Kong		Mainland China		Other Asian countries *		American countries **		European countries ***		African countries ****		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Turnover from external customers	51,986	72,416	234,952	176,830	212,947	143,890	325,674	255,826	119,523	206,937	36,778	85,559	981,860	941,458
Specified non-current assets *****	29,744	9,332	548,517	548,278	–	–	–	–	–	–	–	–	578,261	557,610

* Other Asian countries principally included Indonesia, Japan, Korea, Taiwan and Pakistan, etc.

** American countries principally included the United States, Chile, Peru, Argentina, Mexico and Brazil, etc.

*** European countries principally included Poland, Spain, France, Germany and England, etc.

**** African countries principally included Lagos, Nigeria, Kenya and Egypt, etc.

***** Specified non-current assets excluding financial instruments.

(d) Information about major customers

Revenue from customers contributing 10% or more of the total sales of the Group are as follows:

	2010 HK$'000	2009 HK$'000
Customer A – revenue from Mainland China	158,297	125,824

For the year ended 30 September 2010

6. REVENUE, OTHER INCOME AND OTHER NET GAIN

Revenue

The principal activities of the Group are manufacturing and sale of electronic products, electronic components and parts, integrated circuits and computer components and accessories. An analysis of the Group's revenue for the year is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Revenue from the sale of goods	981,860	941,458

An analysis of revenue by major products (note 5).

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue (note 5(d)).

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

	Group	
	2010 HK$'000	2009 HK$'000
Other income		
Bank and other interest income	2,297	5,872
Total interest income on financial assets not at fair value through profit or loss	2,297	5,872
Bad debts recovered	–	249
Dividend income	225	103
Rental income	3,410	2,845
Others	4,715	3,838
	10,647	12,907
Other net gain		
(Loss)/gain arising on change in fair value of investment properties	(797)	6,270
Gain on disposal of derivative financial instruments	67	–
Surplus on revaluation of property, plant and equipment	1,545	–
	815	6,270

For the year ended 30 September 2010

7. LOSS BEFORE TAXATION

	2010 HK$'000	2009 HK$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	6,527	7,951
Total interest expense on financial liabilities not at fair value through profit or loss	6,527	7,951
(b) Employee benefits expense (excluding directors' emoluments – note 8):		
Pension scheme contributions (defined contribution schemes)*	5,849	7,591
(Reversal of)/provision for long service payment	(83)	64
Share-based payments	1,128	–
Salaries, wages and allowances	204,650	182,712
	211,544	190,367
(c) Other items:		
Cost of inventories sold	911,520	996,752
Depreciation	64,310	61,897
Amortisation of prepaid land lease payments	1,428	1,428
Minimum lease payments under operating leases in respect of land and buildings	3,351	1,035
Auditor's remuneration	970	890
Rental income	(3,410)	(2,845)
(Reversal of write down)/write down of inventories	(9,704)	66,768
Allowance for doubtful debts (note 21(b) & 22)	5,571	46,998
Foreign exchange difference, net	62	876
(Gain)/loss on disposal of derivative financial instruments	(67)	2,059
Loss on disposal of property, plant and equipment	–	986
Loss arising on change in fair value of derivative financial instruments	–	133
Loss/(gain) arising on change in fair value of investment properties	797	(6,270)
Deficit on revaluation of property, plant and equipment	–	69

The cost of inventories sold includes reversal of write down of inventories of approximately HK$9,704,000 (2009: write down of inventories HK$66,768,000) and aggregate employee benefits expense, depreciation and recognition of prepaid land lease payments of approximately HK$247,631,000 (2009: HK$227,183,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

* As at 30 September 2010, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2009: HK$Nil).

For the year ended 30 September 2010

8. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2010 HK$'000	2009 HK$'000
Fees	960	960
Salaries and allowances	5,748	5,562
Reversal for long service payment	–	(34)
Pension scheme contributions	36	36
Share-based payments	890	–
	7,634	6,524
Number of directors	8	8

The remuneration of directors for the year ended 30 September 2010 is set out below:

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Pension scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors					
Ms. Wong King Ching, Helen	–	2,509	12	222	2,743
Mr. Leung Chi Fai	–	877	12	56	945
Ms. Wong King Man	–	2,362	12	222	2,596
Non-executive directors					
Mr. So Day Wing (i)	240	–	–	56	296
Mr. Wong Kim Seong	–	–	–	–	–
Mr. Wong Kun Kim (i)	240	–	–	56	296
Ms. Wong Chun Ying	240	–	–	222	462
Ms. Kan Lai Kuen (i)	240	–	–	56	296
	960	5,748	36	890	7,634

For the year ended 30 September 2010

8. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of directors for the year ended 30 September 2009 is set out below:

Name of directors	Fees	Salaries and allowances	Long service payment	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Ms. Wong King Ching, Helen	–	2,424	(17)	12	2,419
Mr. Leung Chi Fai	–	858	–	12	870
Ms. Wong King Man	–	2,280	(17)	12	2,275
Non-executive directors					
Mr. So Day Wing (i)	240	–	–	–	240
Mr. Wong Kim Seong	–	–	–	–	–
Mr. Wong Kun Kim (i)	240	–	–	–	240
Ms. Wong Chun Ying	240	–	–	–	240
Ms. Kan Lai Kuen (i)	240	–	–	–	240
	960	5,562	(34)	36	6,524

Note:

(i) Independent non-executive directors

(b) Individuals with highest emoluments

The aggregate of the emoluments in respect of the five individuals of highest emoluments (including directors) are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and allowances	6,676	6,476
Reversal for long service payment	–	(34)
Pension scheme contributions	60	60
Share-based payments	518	–
	7,254	6,502

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

8. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Individuals with highest emoluments *(Continued)*

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and allowances	928	914
Pension scheme contributions	24	24
Share-based payments	18	–
	970	938

The emoluments of the two (2009: two) individuals with the highest emolument fall within the following band:

	Number of individual	
	2010	2009
Emoluments band		
HK$Nil – HK$1,000,000	2	2

9. INCOME TAX

	Group	
	2010 HK$'000	2009 HK$'000
Current tax – Mainland China		
Charge for the year	4,187	1,332
(Over)/under-provision in respect of previous years	(695)	924
Deferred tax (note 28)	795	2,792
	4,287	5,048

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: HK$Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

For the year ended 30 September 2010

9. INCOME TAX *(Continued)*

The 5th Session of the 10th National People's Congress approved the Corporate Income Tax Law of the PRC (the "New Corporate Income Tax Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 7 December 2007, which has been effective from 1 January 2008. According to the New Corporate Income Tax Law, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. Foreign enterprises which are entitled to special incentives will be given concessions throughout a 5-year transition period and the applicable rate will increase progressively to 25%. The Group's subsidiaries located in Mainland China were subject to corporate income tax at a rate of 20% commencing on 1 January 2009 which will increase progressively to 25%.

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the region in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group

	2010 HK$'000	2009 HK$'000
Loss before taxation	(32,437)	(167,521)
Tax at statutory tax rate	(6,490)	(39,730)
Lower tax rate for specific province or local entity	387	7,066
Share of tax attributable to jointly-controlled entity	–	244
Income not subject to tax	(2,247)	(6,277)
Expenses not deductible for tax	10,413	40,655
(Over)/under-provision in respect of previous years	(694)	924
Tax losses not recognised	2,314	2,050
Effect of change in tax rates	604	116
Tax charge for the year	4,287	5,048

The share of tax attributable to the jointly-controlled entity amounting to HK$137,000 (2009: HK$244,000) is included in "share of (loss)/profit of a jointly-controlled entity" on the face of the consolidated income statement.

10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 30 September 2010 includes a loss of approximately HK$20,966,000 (2009: HK$8,523,000) which has been dealt with in the financial statements of the Company (note 32).

For the year ended 30 September 2010

11. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company of approximately HK$36,724,000 (2009: HK$172,569,000) and 1,016,001,301 (2009: 1,016,001,301) ordinary shares in issue during the year.

The Company had no dilutive potential ordinary shares in existence for the years ended 30 September 2010 and 2009 since the Company's share options are anti-dilutive. Therefore, the diluted loss per share are the same as the basic loss per share.

12. OTHER COMPREHENSIVE INCOME/(LOSS)

Tax effects relating to each component of other comprehensive income/(loss)

	2010			2009		
	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of foreign operations	13,108	–	13,108	–	–	–
Surplus/(deficit) on revaluation of property, plant and equipment	39,518	(12,398)	27,120	(7,087)	(151)	(7,238)
(Loss)/gain arising on change in fair value of available-for-sale investments	(936)	–	(936)	1,803	–	1,803
	51,690	(12,398)	39,292	(5,284)	(151)	(5,435)

For the year ended 30 September 2010

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	223,366	84,014	417,553	3,466	13,696	1,043	53,245	796,383
Additions	–	–	8,856	722	–	–	32,483	42,061
Revaluation	26,225	–	65,117	(1,019)	–	–	–	90,323
Exchange realignment	20,711	1,287	6,646	27	216	1	1,412	30,300
At 30 September 2010	270,302	85,301	498,172	3,196	13,912	1,044	87,140	959,067
Accumulated depreciation:								
At beginning of year	67,777	57,082	248,160	–	2,740	982	–	376,741
Provided during the year	11,697	8,249	42,015	970	1,367	12	–	64,310
Revaluation	10,542	–	39,699	(982)	–	–	–	49,259
Exchange realignment	18,545	1,008	4,559	12	67	1	–	24,192
At 30 September 2010	108,561	66,339	334,433	–	4,174	995	–	514,502
Net book value:								
At 30 September 2010	161,741	18,962	163,739	3,196	9,738	49	87,140	444,565
At 30 September 2009	155,589	26,932	169,393	3,466	10,956	61	53,245	419,642
An analysis of cost or valuation:								
At cost	–	85,301	–	–	13,912	1,044	87,140	187,397
At valuation:								
Open market value	9,650	–	–	3,196	–	–	–	12,846
Depreciated replacement cost	260,652	–	498,172	–	–	–	–	758,824
	270,302	85,301	498,172	3,196	13,912	1,044	87,140	959,067

For the year ended 30 September 2010

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	238,882	77,107	392,987	4,111	13,696	1,040	44,740	772,563
Additions	3,089	87	11,121	–	–	3	15,325	29,625
Disposals and write-off	–	–	(2)	(1,465)	–	–	–	(1,467)
Revaluation	(18,605)	–	13,447	820	–	–	–	(4,338)
Transfer	–	6,820	–	–	–	–	(6,820)	–
At 30 September 2009	223,366	84,014	417,553	3,466	13,696	1,043	53,245	796,383
Accumulated depreciation:								
At beginning of year	56,775	48,946	204,305	–	1,370	969	–	312,365
Provided during the year	16,295	8,136	35,055	1,028	1,370	13	–	61,897
Revaluation	(5,293)	–	8,800	(689)	–	–	–	2,818
Disposals and write-off	–	–	–	(339)	–	–	–	(339)
At 30 September 2009	67,777	57,082	248,160	–	2,740	982	–	376,741
Net book value:								
At 30 September 2009	155,589	26,932	169,393	3,466	10,956	61	53,245	419,642
At 30 September 2008	182,107	28,161	188,682	4,111	12,326	71	44,740	460,198
An analysis of cost or valuation:								
At cost	–	84,014	–	–	13,696	1,043	53,245	151,998
At valuation:								
Open market value	9,110	–	–	3,466	–	–	–	12,576
Depreciated replacement cost	214,256	–	417,553	–	–	–	–	631,809
	223,366	84,014	417,553	3,466	13,696	1,043	53,245	796,383

For the year ended 30 September 2010

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's buildings located in Hong Kong were revalued at 30 September 2010 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers on an open market value, existing use basis, at approximately HK$9,650,000 (2009: HK$9,110,000). The Group's buildings located elsewhere in the Mainland China were revalued at 30 September 2010 on a depreciated replacement cost basis, at approximately HK$152,091,000 (2009: HK$146,479,000). Net revaluation surplus of HK$1,568,000 (2009: deficit of HK$58,000) and HK$14,114,000 (2009: deficit of HK$13,254,000) resulting from the revaluations have been credited to the income statement and the revaluation reserve respectively.

The Group's buildings included above are held under the following lease terms:

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong, held under medium term leases	9,650	9,110
Mainland China, medium term land use rights	152,091	146,479
	161,741	155,589

The Group's plant, machinery and office equipment was revalued at 30 September 2010 on a depreciated replacement cost basis at approximately HK$163,739,000 (2009: HK$169,393,000). Revaluation deficit of HK$23,000 (2009: HK$11,000) and surplus of HK$25,440,000 (2009: HK$4,658,000) resulting from the revaluations have been debited to income statement and credited to the revaluation reserve respectively.

The Group's motor vehicles were revalued at 30 September 2010 on an open market value, existing use basis, at approximately HK$3,196,000 (2009: HK$3,466,000). Revaluation deficits of HK$36,000 (2009: surplus of HK$1,509,000) resulting from the revaluation have been debited to the revaluation reserve.

Had the Group's buildings, plant, machinery and office equipment, and motor vehicles been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$125,416,000 (2009: HK$136,393,000), HK$162,636,000 (2009: HK$172,277,000) and HK$2,025,000 (2009: HK$2,208,000) respectively.

Certain buildings of the Group with a total carrying value of HK$9,470,000 (2009: HK$8,930,000) were pledged to secure banking facilities granted to the Group (note 27) as at 30 September 2010.

For the year ended 30 September 2010

14. INVESTMENT PROPERTIES

	Group 2010 HK$'000	Group 2009 HK$'000
Carrying amount at the beginning of the year	48,450	45,080
Less: Disposal during the year	–	(2,900)
Net (loss)/gain from a fair value adjustment	(797)	6,270
Exchange realignment	751	–
Carrying amount at the end of the year	48,404	48,450

The investment properties with carrying amount of approximately HK$48,404,000 (2009: HK$48,450,000) are situated in Mainland China and they are held under medium lease terms.

The Group's investment properties located in Mainland China were revalued on 30 September 2010 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers on an open market value, existing use basis, at approximately HK$48,404,000 (2009: HK$48,450,000). Revaluation deficits of HK$797,000 (2009: surplus HK$6,270,000) has been charged/(credited) to the income statement resulting from the revaluation. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 33(a) to the financial statements.

At the end of the reporting period, certificate of ownership in respect of the investment property in Mainland China with a fair value of approximately HK$48,404,000 (2009: HK$48,450,000), had not been issued by the relevant authorities in Mainland China and is still in progress.

15. PREPAID LAND LEASE PAYMENTS

	Group 2010 HK$'000	Group 2009 HK$'000
Carrying amount at the beginning of the year	71,611	69,584
Additions	–	3,455
Amortisation during the year	(1,428)	(1,428)
Exchange realignment	1,046	–
Carrying amount at the end of the year	71,229	71,611
Current portion included in prepayments, deposits and other receivables	(1,428)	(1,427)
Non-current portion	69,801	70,184

15. PREPAID LAND LEASE PAYMENTS *(Continued)*

The Group's prepaid land lease payments included above are held under the following lease terms:

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong, held under medium term leases	2,919	2,998
Mainland China, medium term land use rights	68,310	68,613
	71,229	71,611

Certain prepaid land lease payments of the Group with a total carrying value of HK$2,844,000 (2009: HK$2,998,000) were pledged to secure banking facilities granted to the Group (note 27) as at 30 September 2010.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted investment, at cost	118,577	118,577
Due from subsidiaries	399,193	406,205
Less: Allowance for doubtful debts	(32,890)	(20,304)
	366,303	385,901
Due to a subsidiary	(2)	(2)

As at 30 September 2010, included in amounts due from subsidiaries HK$32,890,000 (2009: HK$20,304,000) were determined to be impaired. These subsidiaries had net liabilities position. Therefore, allowances for loans to subsidiaries were recognised.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/(to) subsidiaries approximate their fair values.

For the year ended 30 September 2010

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary shares/registered paid-up capital	Percentage of ownership attributable to the Group		Principal activities
			Held by the company	Held by a subsidiary	
Sunway International (BVI) Holdings Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Kenko International Company Limited	Hong Kong	HK$10,000	–	100%	Trading of electronic products
Regal Honour Industrial Limited	Hong Kong	HK$10,000	–	100%	Trading of computer and electronic products
Guidy International Limited	Hong Kong	Ordinary HK$3 *Non-voting deferred HK$6,500	–	100%	Trading of electronic products
Sungo Holding Company Limited	Hong Kong	Ordinary HK$3 *Non-voting deferred HK$6,500,000	–	100%	Trading of electronic products
Xinwei Electronic Industrial Co., Ltd., Fujian **	People's Republic of China ("PRC")/ Mainland China	HK$183,655,813	–	100%	Manufacture and trading of electronic products
Sunway Information Technology Company Limited	British Virgin Islands	US$1	–	100%	Investment holding
Putian Sunyee LCD Technology Co., Ltd. **	PRC/Mainland China	HK$90,000,000	–	100%	Manufacture of liquid crystal display products
Sunway Macao Commercial Offshore Company Limited	Macau	MOP100,000	–	100%	Trading of electronic products

* The holders of the non-voting deferred shares are not entitled to any dividend, have no right to vote at general meetings, and only carry the right to receive the nominal amount paid-up or credited as paid-up on the non-voting deferred shares in a return of capital on liquidation after the holders of ordinary shares have received the sum of HK$1,000,000,000 per ordinary share.

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

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

For the year ended 30 September 2010

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	14,840	14,985
Due to a jointly-controlled entity	(22)	(194)

The amount due to a jointly-controlled entity is unsecured, interest-free and has no fixed term of repayment. The carrying amount approximates its fair value.

As at 30 September 2010 and 2009, the Group had an interest in the following jointly-controlled entity:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of share held	Percentage of ownership attributable to the Group	Principal activities
Taiwan Communication (Fujian) Company Limited	Corporate	PRC/Mainland China	PRC/Mainland China	Registered capital	40%	Manufacture and trading of telecommunication products

Interest in the jointly-controlled entity is indirectly held by the Group.

Summary financial information on the jointly-controlled entity related to the Group's interests:

	2010 HK$'000	2009 HK$'000
Non-current assets	4,355	4,956
Current assets	24,010	23,000
Current liabilities	13,525	12,971
Income	10,420	17,377
Expenses	10,795	16,778

For the year ended 30 September 2010

18. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	Group and Company	
	2010 HK$'000	2009 HK$'000
Listed investments:		
Equity securities listed in Hong Kong at fair value	7,025	7,337
Analysed for reporting purposes as:		
Current assets	–	–
Non-current assets	7,025	7,337
	7,025	7,337

The fair value of the above listed securities is determined based on the quoted market bid price at the end of the reporting period as quoted by the Stock Exchange.

19. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balances represent aggregate deposits of HK$651,000 (2009: HK$4,349,000) paid in respect of purchases of property, plant and equipment. The related capital commitments are set out in note 34.

20. INVENTORIES

(a) An analysis of the inventories as at the end of the reporting period, net of provision, is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	45,677	67,543
Work in progress	132,502	87,761
Finished goods	107,717	67,339
	285,896	222,643

For the year ended 30 September 2010

20. INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount of inventories sold	921,224	929,984
(Reversal of write down)/write down of inventories	(9,704)	66,768
	911,520	996,752

The reversal of write down of inventories made in prior years arose primarily due to goods which have been written down in prior years, have been sold out or utilised in the production during the year.

21. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	242,861	213,780
Less: Allowance for doubtful debts (note 21(b))	(46,452)	(42,140)
	196,409	171,640

(a) Ageing analysis

An ageing analysis of the trade receivables net of allowance for doubtful debts as at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current to 3 months	155,737	168,535
4 to 6 months	36,556	1,257
7 to 12 months	4,116	201
Over 1 year	–	1,647
	196,409	171,640

For the year ended 30 September 2010

21. TRADE RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. Trade receivables are non-interest-bearing. Further details on the Group's credit policy are set out in note 39(d).

The factors which the Group considered in determining whether these trade receivables were individually impaired include the following:

- significant financial difficulty of the debtor;
- receivables that have been outstanding for over one year; and
- it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(e)(i)).

Movement in the allowance for doubtful debts for trade receivables:

	Group	
	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	42,140	68,951
Impairment losses recognised on receivables	3,600	35,805
Amounts written off during the year as uncollectible	–	(62,367)
Amounts recovered during the year	–	(249)
Exchange realignment	712	–
Balance at end of the year	46,452	42,140

At 30 September 2010, the Group's trade receivables of HK$196,409,000 (2009: HK$171,640,000) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and over due for more than 1 year and management assessed that the recoverability of these receivables is in doubt.

For the year ended 30 September 2010

21. TRADE RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$66,066,000 (2009: HK$39,863,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**130,343**	131,777
Within 3 months past due	**25,394**	36,758
4 to 6 months past due	**36,556**	1,257
7 to 12 months past due	**4,116**	201
Over 1 year past due	**–**	1,647
	196,409	171,640

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Prepayments	**2,881**	2,857
Deposits paid	**36,727**	21,224
Other receivables	**35,391**	24,561
Less: Allowance for doubtful debts	**(16,476)**	(15,417)
	18,915	9,144
	58,523	33,225

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Impairment of other receivables

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly (see note 2(e)(i)).

Movement in the allowance for doubtful debts for other receivables:

	Group	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**15,417**	4,224
Impairment losses recognised on receivables	**1,971**	11,193
Amounts written off during the year as uncollectible	**(1,071)**	–
Exchange realignment	**159**	–
Balance at end of the year	**16,476**	15,417

At 30 September 2010, the Group's other receivables of HK$18,915,000 (2009: HK$9,144,000) was individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and over due for more than 1 year and management assessed that the recoverability of these receivables is in doubt. The Group does not hold any collateral over these balances. At the end of the reporting period, none of the other receivable balances are past due but not impaired.

For the year ended 30 September 2010

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Financial assets designated at fair value through profit or loss		
– Equity link notes	**–**	556

Equity link note is designated as financial assets at fair value through profit or loss upon initial recognition.

The equity link notes are subject to mandatory redemption clauses at maturity dates depending on the market prices of a Hong Kong listed security underlying the equity link notes. The equity linked notes will be redeemed based on the original principal amounts. The equity link notes are interest bearing.

At maturity date, if the equity link notes, depending on the market prices of the underlying equity securities and certain predetermined price levels, are still outstanding, the equity link notes will be redeemed by the issuer at the principal amounts in cash or shares which may be lower than the principal amounts.

The equity link notes are measured at fair value at the end of the reporting period. Their fair values are determined based on the valuation provided by the counterparty financial institutions at the end of the reporting period. Accordingly, a fair value change on equity link notes of HK$Nil (2009: HK$133,000) is recognised in the consolidated income statement for the year ended 30 September 2010.

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**71,751**	98,728	**401**	170
Time deposits	**27,058**	11,190	**–**	–
	98,809	109,918	**401**	170
Less: Pledged time deposits				
for loans facilities (note 27)	**(27,058)**	(11,190)	**–**	–
Cash and cash equivalents	**71,751**	98,728	**401**	170

At the end of the reporting period, the cash and cash equivalents of the Group are denominated in Renminbi ("RMB") amounted to approximately HK$77,616,000 (2009: HK$33,017,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

For the year ended 30 September 2010

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(Continued)*

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents and pledged time deposits approximate their fair values.

25. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**145,110**	121,672	**–**	–
Accrued liabilities and other payables	**39,081**	29,825	**358**	709
	184,191	151,497	**358**	709

The following is an ageing analysis of trade payables presented based on invoice date as at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Due less than 3 months or on demand	**124,683**	101,113
Due from 4 to 6 months	**9,774**	7,122
Due from 7 to 12 months	**3,907**	6,633
Due over 1 year	**6,746**	6,804
	145,110	121,672

The average credit period on purchases is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Further details on the group's financial risk management policies are set out in note 39.

For the year ended 30 September 2010

26. DUE TO A DIRECTOR

The balance is unsecured, interest free and repayable on demand.

27. INTEREST-BEARING BANK BORROWINGS

Group

	2010			2009		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Trust receipt loans						
– secured	7	2010	4,725	7	2009	5,250
Bank loans – secured	1.44 – 2.77	2010	28,888	1.70 – 5.32	2009-2010	22,341
Bank loans – unsecured	4.86 – 5.31	2011	138,960	4.37 – 4.86	2009-2010	69,540
			172,573			97,131

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount of bank loan repayable as follows:		
On demand or within one year	172,573	93,672
More than one year but not more than two years	–	3,459
More than two years but not more than five years	–	–
	172,573	97,131

Notes:

(a) As at 30 September 2010, the Group's bank borrowings are secured by:

(i) certain buildings of HK$9,470,000 (2009: HK$8,930,000) (note 13);

(ii) certain prepaid land lease payments of HK$2,844,000 (2009: HK$2,998,000) (note 15); and

(iii) time deposits amounting to HK$27,058,000 (2009: HK$11,190,000) (note 24).

(b) Except for the unsecured bank loan of approximately HK$138,960,000 (2009: HK$69,540,000) and secured loans of approximately HK$15,818,000 (2009: HK$Nil), all other borrowings bear interest at floating interest rates.

For the year ended 30 September 2010

28. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Deferred tax liabilities of the Group arose from revaluation of investment properties, buildings, plant, machinery and office equipment and motor vehicles.

	Group	
	2010 HK$'000	2009 HK$'000
At beginning of year	13,515	10,572
Deferred tax charged to the revaluation reserve during the year (note 32)		
– Change in tax rate	2,554	1,116
– Charge for the year	9,844	(965)
Deferred tax charged to the income statement during the year (note 9)		
– Change in tax rate	604	116
– Charge for the year	191	2,676
Exchange realignment	255	–
At end of year	26,963	13,515

The Group has tax losses arising in Hong Kong of approximately HK$64,882,000 (2009: HK$50,874,950) as at 30 September 2010 that are available for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of losses from certain subsidiaries of the Group as they have been loss-making for some time.

The New PRC Corporate Income Tax Law which took effect from 1 January 2008 imposes a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Under the Agreement between the Mainland China and the Hong Kong Special Administrative Region for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax under CaiShui (2008) No. 1 Notice on certain preferential corporate income tax policies.

Accordingly, the Company will be subject to a 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of its profits earned since 1 January 2008. At 30 September 2010, no deferred tax liabilities has been recognised in respect of such withholding tax as the Company controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

For the year ended 30 September 2010

29. PROVISION FOR LONG SERVICE PAYMENT

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	818	788	245	279
(Reversal)/addition during the year	(83)	30	–	(34)
Utilised during the year	(45)	–	–	–
At end of year	690	818	245	245

Under the Hong Kong Employment Ordinance, an entity is required to make long service payment to its employees upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the specified circumstances. However, where an employment is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

30. SHARE CAPITAL

	2010	2009
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	1,000,000	1,000,000
Issued and fully paid:		
1,016,001,301 ordinary shares of HK$0.10 each	101,600	101,600

Details of the Company's option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

(a) Share Option Scheme adopted on 3 September 1999 (the "Old Option Scheme")

Pursuant to the Old Option Scheme, the exercise price of the share options was determinable by the directors, but could not be less than the higher of (1) 80% of the average of the closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of offer of grant of the share options; or (2) the nominal value of the shares of the Company. The Company terminated the Old Option Scheme, in response to the amendments by the Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules. The options granted under the Old Option Scheme expired on 24 October 2009.

For the year ended 30 September 2010

31. SHARE OPTION SCHEME *(Continued)*

(a) Share Option Scheme adopted on 3 September 1999 (the "Old Option Scheme") *(Continued)*

The following table discloses movement of the Company's share options under the Old Option Scheme held by employees and directors during the year:

Name of participant	Outstanding at 1 October 2009	Granted during the year	Lapsed during the year	Outstanding at 30 September 2010	Date of grant of share options	Exercisable period of share option	Exercise price of options HK$	Price of Company's share at date of grant of options HK$
Directors								
Ms. Wong King Ching, Helen	1,500,000	–	(1,500,000)	–	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Mr. Leung Chi Fai	1,050,000	–	(1,050,000)	–	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Other employees in aggregate	6,000,000	–	(6,000,000)	–	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	8,550,000	–	(8,550,000)	–				

(b) Share Option Scheme adopted on 25 February 2003 (the "New Option Scheme")

The New Option Scheme was adopted on 25 February 2003. The purpose of the New Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high caliber professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the New Option Scheme include the directors (including executive directors and non-executive directors), employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, joint venture partner or business alliance of the Group and shareholders of the Group. The New Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 25 February 2003.

The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the New Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the New Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Option Scheme.

31. SHARE OPTION SCHEME *(Continued)*

(b) Share Option Scheme adopted on 25 February 2003 (the "New Option Scheme") *(Continued)*

The total number of shares issued and to be issued upon exercise of the share options granted under the New Option Scheme and other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted under the New Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the New Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer, which must be a business day; and (3) the nominal value of the Company's shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK$0.01 per share each on or before 1 November 2019. At 30 September 2010, the number of shares in respect of which options had been granted and remained outstanding under the New Option Scheme was 18,020,000 (2009: 8,550,000 under the Old Option Scheme), representing 2% (2009: 0.8% under the Old Option Scheme) of the shares of the Company in issue at that date.

Notes to the Financial Statements

For the year ended 30 September 2010

31. SHARE OPTION SCHEME *(Continued)*

(b) Share Option Scheme adopted on 25 February 2003 (the "New Option Scheme") *(Continued)*

The following table discloses movement of the Company's share options under the New Option Scheme held by employees and directors during the year:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at 1 October 2009	Granted during the year	Lapsed during the year	Outstanding at 30 September 2010	
Directors	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	–	4,500,000	–	4,500,000	(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	–	4,500,000	–	4,500,000	
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	–	4,500,000	–	4,500,000	
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	–	4,500,000	–	4,500,000	
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	–	4,500,000	–	4,500,000	
Non-Executive Director	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	–	2,000,000	–	2,000,000	(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	–	2,000,000	–	2,000,000	
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	–	2,000,000	–	2,000,000	
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	–	2,000,000	–	2,000,000	
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	–	2,000,000	–	2,000,000	
Independent Non-Executive Directors	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	–	1,500,000	–	1,500,000	(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	–	1,500,000	–	1,500,000	
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	–	1,500,000	–	1,500,000	
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	–	1,500,000	–	1,500,000	
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	–	1,500,000	–	1,500,000	
Associate of a Director	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	–	2,000,000	–	2,000,000	(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	–	2,000,000	–	2,000,000	
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	–	2,000,000	–	2,000,000	
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	–	2,000,000	–	2,000,000	
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	–	2,000,000	–	2,000,000	
Employees	2.11.2009	Immediate	2.11.2009-1.11.2019	0.19	–	8,120,000	(100,000)	8,020,000	(*)
		2.11.2009-1.11.2010	2.11.2010-1.11.2019	0.19	–	8,120,000	(100,000)	8,020,000	
		2.11.2010-1.11.2011	2.11.2011-1.11.2019	0.19	–	8,120,000	(100,000)	8,020,000	
		2.11.2011-1.11.2012	2.11.2012-1.11.2019	0.19	–	8,120,000	(100,000)	8,020,000	
		2.11.2012-1.11.2013	2.11.2013-1.11.2019	0.19	–	8,120,000	(100,000)	8,020,000	
					–	90,600,000	(500,000)	90,100,000	
(*) Exercisable at the end of the year								18,020,000	

For the year ended 30 September 2010

31. SHARE OPTION SCHEME *(Continued)*

(b) Share Option Scheme adopted on 25 February 2003 (the "New Option Scheme") *(Continued)*

The share options were granted on 2 November 2009. The closing price of the Company's shares immediately before the date of grant of the options was HK$0.19 and the estimated fair values of the shares under options at the date of grant ranged from HK$0.1114 to HK$0.1124 per share. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Inputs into the model

Closing share price at date of grant	HK$0.19
Exercise price	HK$0.19
Expected volatility	85.93%
Expected option life	5 years
Expected dividend yield	3.3%
Risk-free interest rate	1.7%

The variables and assumptions used above are based on the best estimate of an independent firm of professional valuers, LCH (Asia Pacific) Surveyors Limited. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

No share option has been exercised during the year.

During the year, the Group recognised share-based payment expense of HK$2,018,000 (2009: HK$Nil) in relation to the share options granted by the Company.

For the year ended 30 September 2010

32. RESERVES AND DIVIDENDS

(a) Movement in components of equity

Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Fair value reserve HK$'000	Total HK$'000
At 1 October 2008	177,325	118,377	509	–	120,494	5,080	–	421,785
Loss for the year	–	–	–	–	(8,523)	–	–	(8,523)
Gain arising on change in fair value of available-for-sale investments	–	–	–	–	–	–	1,803	1,803
Total comprehensive (loss)/ income for the year	–	–	–	–	(8,523)	–	1,803	(6,720)
2008 final dividends paid	–	–	–	–	–	(5,080)	–	(5,080)
At 30 September 2009 and at 1 October 2009	177,325	118,377	509	–	111,971	–	1,803	409,985
Loss for the year	–	–	–	–	(20,966)	–	–	(20,966)
Loss arising on change in fair value of available-for-sale investments	–	–	–	–	–	–	(936)	(936)
Total comprehensive loss for the year	–	–	–	–	(20,966)	–	(936)	(21,902)
Recognition of equity-settled share-based payments	–	–	–	2,018	–	–	–	2,018
Lapse of share options	–	–	–	(11)	11	–	–	–
At 30 September 2010	177,325	118,377	509	2,007	91,016	–	867	390,101

32. RESERVES AND DIVIDENDS *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and capital redemption reserve are governed by Section 40 of the Companies Act 1981 of Bermuda ("Companies Act").

(ii) The contributed surplus of the Group represents the difference between the aggregate of the nominal values of the share capital of the subsidiaries acquired at the date of acquisition, over the nominal value of the share capital of the Company issued in exchange thereof and issued on incorporation.

The contributed surplus of the Company at the date of acquisition represents the excess of the combined net assets of the subsidiaries acquired at the date of the acquisition over the aggregate of the nominal value of the Company's shares issued in exchange thereof.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to employees of the Group recognised in accordance with accounting policy adopted for share-based payment in note 2(t)(i).

(iv) Reserve fund

Statutory reserve – wholly foreign-owned enterprises

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in the PRC, it is required to appropriate 10% of the profit arrived at in accordance with PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in-capital.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

For the year ended 30 September 2010

32. RESERVES AND DIVIDENDS *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vi) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 2(g).

(vii) Fair value reserve

The fair value reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when these investments have been disposed of or are determined to be impaired.

(viii) Distributable reserves

At 30 September 2010, the aggregate amount of reserves available for distribution to owners of the Company including the distributable amounts disclosed in note 32(b)(ii), was HK$209,393,000 (2009: HK$230,348,000).

(c) Dividends

Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year.

	2010 HK$'000	2009 HK$'000
No final dividend in respect of the previous financial year, approved and paid during the year (2009: HK$0.5 cents per share)	–	5,080

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 6 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 30 September 2010, the Group had total minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Within one year	2,576	2,096
In the second to fifth year, inclusive	640	2,567
	3,216	4,663

For the year ended 30 September 2010

33. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms of two years.

At 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	615	791
In the second to fifth year, inclusive	192	308
	807	1,099

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	74,685	98,285

The Company did not have any other significant commitment as at the end of the reporting period (2009: HK$Nil).

35. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2010	2009
	HK$'000	HK$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary	58,000	58,000

35. CONTINGENT LIABILITIES *(Continued)*

The Company had given corporate guarantees to banks in connection with banking facilities granted by the banks to a subsidiary. At the end of the reporting period, such facilities was drawn down by the subsidiary to extent of HK$17,795,000 (2009: HK$27,591,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK$17,795,000 (2009: HK$27,591,000). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it is probable that a claim would be made against the Company under the guarantee.

The Group did not have any other significant contingent liabilities as at the end of the reporting period (2009: HK$Nil).

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, the Group acquired certain property, plant and equipment, of which was settled by deposits of HK$3,698,000 (2009: HK$2,146,000) for acquisition of property, plant and equipment paid in prior years.

37. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties, save as disclosed elsewhere in these financial statements, are as follows:

(a) Details of the Group's balance with its jointly-controlled entity as at the end of the reporting period is disclosed in note 17 to the financial statements.

(b) Details of terms and conditions of loan from a director are disclosed in note 26 to the financial statements.

(c) The directors are the key management personnel of the Group. Details of their emoluments are disclosed in note 8 to the financial statements.

(d) As at 30 September 2010, a secured bank borrowing amounting to approximately HK$34,740,000 (2009: HK$Nil) was guaranteed by the directors of the Company.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

38. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

For the year ended 30 September 2010

38. CAPITAL RISK MANAGEMENT *(Continued)*

The capital structure of the Group consists of debts (which include borrowings), cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio at 30 September 2010 and 2009 was as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Total liabilities (Note i)	**414,760**	297,352
Equity (Note ii)	**810,243**	805,657
Debt to equity ratio	**51.2%**	36.9%

(i) Total liabilities comprise the current liabilities and non-current liabilities

(ii) Equity include all capital and reserves of the Group

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

39. RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	Group	
	2010	2009
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss – Designated as at FVTPL	**–**	556
Available-for-sale investments	**7,025**	7,337
Loans and receivables (including cash and cash equivalents)	**314,133**	313,356
Financial liabilities		
Amortised cost	**343,498**	250,842

The Group is exposed for a variety of risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk, which result from both its operating and investing activities.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk

The Group's businesses are principally conducted in Hong Kong and Mainland China. The majority of assets are denominated in Hong Kong dollars and Renminbi, which is the functional currencies of the subsidiaries in Mainland China to which these transactions relate.

No significant foreign currency risk has been identified for the financial assets and financial liabilities denominated in RMB. As US$ is pegged to HK$, in the opinion of the directors, the Group does not expect any significant movement in the US$/HK$ exchange rates. The exchange rate risk of the Group is not significant. Accordingly, no sensitivity analysis has been prepared.

The Group does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

(b) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings from financial institutions (see note 27 for details of these borrowings).

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 27 for details of these borrowings).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both bank deposits and borrowings at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 and 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 and 100 basis points higher/lower and all other variables were held constant, the post tax Group's loss for the year ended 30 September 2010 would increase/decrease by approximately HK$200,000 (2009: decrease/increase by HK$100,000). Other components of consolidated equity would have decrease/increase by approximately HK$200,000 (2009: increase/decrease by HK$100,000) in response to the general increase/decrease in interest rates. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

For the year ended 30 September 2010

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk *(Continued)*

Sensitivity analysis (Continued)

The sensitivity analysis above indicates the instantaneous change in the Group's loss for the year (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the Group's loss for the year (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

(c) Other price risks

The Group is exposed to other price risk arising from financial derivative instruments classified as financial assets designated at fair value through profit or loss and equity investments classified as available-for-sale investments.

Management's best estimate of the effect on the Group's loss after tax and other components of equity due to a reasonably possible change in the relevant underlying stock price, with all other variables held constant, at the end of the reporting period is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2010		2009	
	Decrease/ (increase) on loss after tax HK$'000	Increase/ (decrease) in fair value reserve HK$'000	Decrease/ (increase) on loss after tax HK$'000	Increase/ (decrease) in fair value reserve HK$'000
Underlying stock price				
+5%	–	351	28	367
-5%	–	(351)	(28)	(367)

(d) Credit risk

As at 30 September 2010, 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 and financial guarantees provided by the Group is arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

– the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 35.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Credit risk *(Continued)*

In order to minimise the credit risk, the management of the Group has to determine the 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 and debt investments at each end of the 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.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 23% (2009: 10%) and 50% (2009: 36%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Company's concentration of credit risk is on advances to subsidiaries. The management of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is considered manageable.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

(e) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

Notes to the Financial Statements

For the year ended 30 September 2010

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Liquidity risk *(Continued)*

Group

	2010					2009				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade payables	145,110	(145,110)	(145,110)	–	–	121,672	(121,672)	(121,672)	–	–
Accrued liabilities and other payables	25,500	(25,500)	(25,500)	–	–	29,825	(29,825)	(29,825)	–	–
Due to a director	293	(293)	(293)	–	–	2,020	(2,020)	(2,020)	–	–
Due to a jointly-controlled entity	22	(22)	(22)	–	–	194	(194)	(194)	–	–
Interest-bearing bank borrowings	172,573	(172,602)	(172,602)	–	–	97,131	(99,220)	(95,734)	(3,486)	–
	343,498	(343,527)	(343,527)	–	–	250,842	(252,931)	(249,445)	(3,486)	–

Company

	2010					2009				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Accrued liabilities and other payables	358	(358)	(358)	–	–	709	(709)	(709)	–	–
Due to a subsidiary	2	(2)	(2)	–	–	2	(2)	(2)	–	–
	360	(360)	(360)	–	–	711	(711)	(711)	–	–

For the year ended 30 September 2010

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Level 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 markets 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 assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

– 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).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	Group and Company			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments				
Listed equity securities	7,025	–	–	7,025

There was no transfer between instruments in Level 1 and Level 2 during the year.

40. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 January 2011.