SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

Annual Report 07

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

Non-executive:
Wong Choi Kam
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
PCP CPA Limited
Suites 2205-6
Island Place Tower
510 King's Road
North Point
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

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.
Dah Sing Bank Ltd.
The Hong Kong and Shanghai Banking Corporation Ltd.
DBS Bank (Hong Kong) 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
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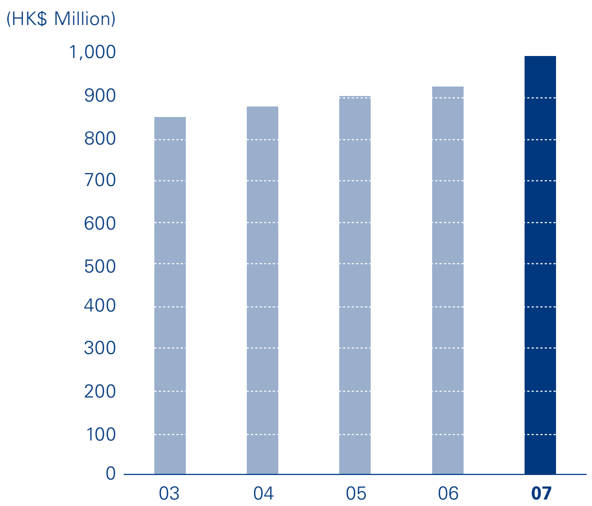
STOCK CODE
The Stock Exchange of Hong Kong Limited: 58
The Singapore Exchange Securities Trading Limited: Sunway

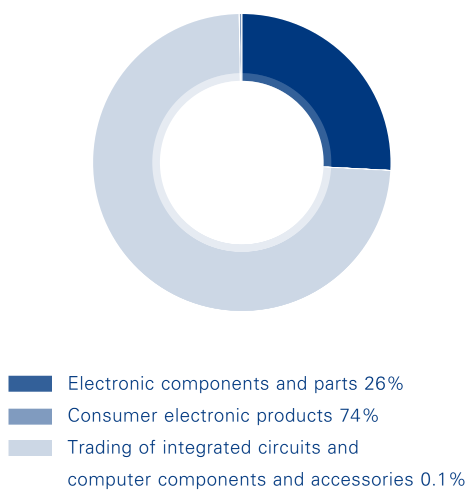
FINANCIAL HIGHLIGHTS

	2007 **HK$'000**	2006 HK$'000
OPERATING RESULTS		
Revenue	**1,088,876**	1,027,607
Profit for the year attributable to equity holders of the parent	**13,578**	14,477
Earnings per share-basic	**1.3 cents**	1.4 cents
Proposed final dividend per share	**1.0 cent**	1.0 cent
FINANCIAL POSITION		
Total assets	**1,285,626**	1,162,714
Cash and bank balances	**77,907**	186,666
Shareholders' funds	**995,821**	924,447
FINANCIAL RATIOS		
Current ratio	**2.6**	3.0
Gearing ratio	**29.1%**	25.8%

SHAREHOLDERS' FUNDS



TURNOVER BY BUSINESS SEGMENTS



CHAIRMAN'S STATEMENT

I am pleased to present Sunway International Holdings Limited's annual report for fiscal year ended 30 September 2007.

Despite a challenging and increasingly demanding operating environment, the Group recorded turnover growth of 5.9% year-on-year to HK$1,088,876,000. Underpinning the business growth was our hard work in exploring new markets, continuous research and development efforts, strong and extensive distribution network, product innovation and the promising customers relationship.

The year 2007 was proved to be challenging for traditional manufacturers due to volatile crude oil prices and the fluctuations in material prices. Nonetheless, the Group maintained its dominant position in the industry and it remained to be one of the largest manufacturers of electronic calculators and liquid crystal displays ("LCD") in Mainland China. The Group will continue to broaden our product categories and expand our customer base. We are confident to deliver firm business growth ahead.

Electronic calculators, manufactured under OEM and ODM agreements and the Group's "SUNWAY" and "KENKO" labels continued to be a stable backbone of our revenue base. During the year, we made further development in this core business segment by strengthening our sales and marketing work force as well as injecting new high-end products with new design into the market. We believe that ongoing product innovation would help the Group in maintaining its market leading position.

The research and development in mobile telephone section obtained favourable and promising result during the year. We will continue to develop new models of mobile phone in the coming year to keep pace with the market trend. We have also reallocate resources to improve our production capacity in the manufacturing of mobile phone to meet the booming consumption of telephone products in the China market.

During the year, the Group continued to quest for improved productivity. Enhancements in production efficiency combined with upgraded machinery to shorten the production cycle, allowing us to streamline supply chain management for our customers. The implementation of production cost-saving measures at all levels of our operation was ongoing. Production costs was reduced as a consequence of the dedication of our staff as well as closer working relationships with our customers. Meanwhile, improved economies of scale and streamlined production process supplemented our profit growth.

We will continue to focus on our core manufacturing business and we will also seek suitable investment opportunities to enhance shareholder value.

The Group recorded steady turnover growth amid a competitive operating environment during the year and we expect the momentum to continue. Our commitment to deliver high quality services has been recognized and the investment in expansion of production capacity bodes well for further growth in sales volume. With the surging China domestic consumption and the growing demand of consumer electronic products, we are confidence in maintaining business growth in the years to come.

On behalf of the board, I wish to express my gratitude to our management and staff for their invaluable effort and devotion to serving the Group 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
28 January 2008

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

The Group recorded a consolidated turnover of HK$1,088,876,000 for the year ended 30 September 2007, representing 6.0% increase compared with last year. Profit before tax for the year was HK$18,343,000, representing a decrease of 3.7% from HK$19,053,000 a year ago. The Group's gross profit for the year was HK$77,799,000 with gross profit margin of 7.1% compared with the previous 7.9%. The drop in gross profit was due to the increase in cost of raw materials as a result of high crude oil price. Manufacturing cost was also increased due to the increase in labour costs and utility costs. Net profit for the year was HK$13,578,000, representing a decrease of 6.2% from HK$14,477,000 a year ago.

Turnover of electronic calculators was HK$457,481,000, representing an increase by 2.2% year-on-year. Sales of electronic calculators contributed 42% of the Group's turnover for the year and were the largest business segment of the Group. During the year, the Group has launched a wide range of high-end electronic calculators in the market in order to enlarge our market share and support business growth. We expected that our investment in product development and innovation would keep the Group in maintaining our market leading position in the industry.

Sales of electronic watches and clocks recorded a growth of 24.1% to HK$147,541,000 compared with HK$118,853,000 last year. It accounted for 13.5% of the Group's total turnover for the year. The Group has successfully gained new customer accounts in the regions like South America, Northwest Asia and Middle East.

Telephone products recorded a turnover of HK$199,228,000, increased by 113.6% compared with last year. It represented 18.3% of the Group's turnover for the year. Launching of new products like mobile telephone accounted for the surge in sales of the telephone products. Products like multifunctional corded and cordless telephones got steady growth in demand from the market. The Group expects that this telephone segment will continue to generate growth in revenue in the coming years as there is rising domestic consumption of telephone products in Mainland China. The Group will continue to innovate high-quality and value-added products to meet market needs and to expand our market share.

Revenue from liquid crystal displays ("LCD") was HK$183,889,000, dropped 21.0% from last year. It represented 16.9% of the Group's turnover for the year. While manufacturing business of LCD remained rather stable, the trading volume of TFT-LCD modules has been dropped during the year, which accounted for the decrease in turnover of LCD.

Finance costs were HK$4,536,000 due to the cost of financing of our investment projects in China.

In geographical segments, there was balanced growth in sales to Mainland China, other Asian countries, American countries and European countries.

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 2007, the total shareholders' equity of the Group was approximately HK$995,821,000, an increase of 7.7% over last year. The Group's cash and bank balances and time deposits stood at HK$77,907,000. The Group's bank loans were HK$124,966,000 and trust receipt loans were HK$7,655,000 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 29.1%. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

DIVIDEND

The Board proposed the final dividend for the year ended 30 September 2007 to be 1 cent (2006: 1 cent) per ordinary share, subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting and will be payable to the shareholders on 7 April 2008.

CAPITAL STRUCTURE

No repurchases of shares were made and no share options were exercised, granted, cancelled or lapsed during the year.

PLEDGE OF ASSETS

The Group's investment property, certain leasehold land and buildings of the Group and time deposits of HK$3,265,000 of the Group, together with the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2007, such facilities were utilised to the extent of approximately HK$26,385,000.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of about HK$137.3 million of the net proceeds raised from the share offer in 1999 had then 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 were considering to allocate part of such proceeds to other investment opportunities. The Directors hereby announce that a majority sum of the said remaining balance of the net proceeds raised from the share offer in 1999 (amounting to about HK$71.9 million) has been utilised by the Group for investing activities (such as additions to construction in progress and to a lesser extent, investment in additional interests of the said jointly-controlled entity) and for operating activities for the year ended 30 September 2007. If any specific targets are identified for the remaining balance of about HK$65.4 million, the Directors will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 20,000 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 dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary and the exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

At 30 September 2007, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company amounting to HK$158,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PROSPECTS

The Group anticipate a promising business growth in the coming year.

We expect a steady growth in sales for consumer electronic products in 2008. The launching of mobile telephone got remarkable response from the market and the business of this product category is under rapid expansion. The investment in the development of mobile phone continues during the year. New models of mobile phone with advanced functions will be launched in the market in the coming year. With the huge population and the growing demand of mobile telephone in Mainland China, the Group believes that there is great potential for growth in this business segment.

The Group gives considerable weight to product innovation and product development with a view to sustain business growth and development, enlarging our market share as well as attracting new customers. We are developing a wide range of new electronic calculators such as water resistance calculators, multi-currencies converter calculators, USB calculators and PC key calculators. Digital products such as electronic dictionary, digital language learning machine and electronic organizers are under development.

For gift section, new product like Digital Photo Frame Key Chain has been launched in the market and obtained favourable response from the customers.

The business for manufacturing of LCD products is under steady growth. The market for manufacturing of customer tailor-made LCD products provides the Group a greater profit margin. The Group is considering the selling of large-size TFT LCD products in the coming future.

During the year, the Group recorded increase in sales in markets like Mainland China, North and South Americas and Europe. Efforts are also made in exploring new overseas customers, including some large chain stores from USA and Europe. We are making aggressive sales strategies to prospective markets like South America, Middle East and Southwest Asia.

The Group is committed to high quality products. We believe that continuous growth can be achieved through product innovation, market diversification and effective cost control. The Group's endeavour in cultivating new customers and new products will enhance business growth and development. We continue to look forward with great confidence and optimism.

Wong King Ching, Helen
Chairman

Hong Kong
28 January 2008

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Wong King Ching, Helen, aged 34, 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 11 years of experience in corporate management in electronics industry.

Ms. Wong King Man, aged 33, 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 10 years. She is the younger sister of Ms. Wong King Ching, Helen.

Mr. Leung Chi Fai, aged 40, 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 53, 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 20 years of experience in finance and accounting of which over 15 years are in corporate finance.

Mr. So Day Wing, aged 59, 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 Choi Kam, aged 46, has over 23 years of experience in the electronics industry and has worked for the Group in the past years.

Ms. Wong Chun Ying, aged 55, 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 77, 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 63, 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 36 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 *(Continued)*

SENIOR MANAGEMENT

Mr. Chen Yun Kai, aged 35, is the research and development manager, who specialises in the design of moulds. Prior to joining the Group, he has over 11 years of experience in moulds designing.

Mr. Huang Ming Tan, aged 42, 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 13 years of experience in quality assurance and control.

Mr. Li Wei, aged 41, 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 19 years of experience in the field.

Mr. Rui Jian Hua, aged 50, 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 26 years of experience in the electronics industry.

Mr. Xiang Hou Lin, aged 39, is the research and development manager. He has over 13 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 36, the manager of quartz crystals production department. He has worked for the Group for 13 years, with focus on the production planning and management of quartz crystals.

Mr. Xu Jing Xing, aged 41, 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 11 years.

Mr. Zheng Xiang Yang, aged 40, is the assistant production planning manager. He has 16 years of experience in computing software development and internet management and materials management and has held related position in the Group for 11 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 2007.

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 personal data assistants). 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 profit for the year ended 30 September 2007 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 74.

The directors recommend the payment of a final dividend of one cent per ordinary share in respect of the year, to shareholders on the register of members on 26 February 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

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		
	2007	2006	2005	2004	2003
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,088,876**	1,027,607	956,134	899,173	691,377
Profit before tax	**18,343**	19,053	33,991	42,601	20,399
Tax	**(4,765)**	(4,576)	(6,882)	(8,262)	(4,439)
Profit for the year attributable to equity holders of the parent	**13,578**	14,477	27,109	34,339	15,960

REPORT OF THE DIRECTORS *(Continued)*

SUMMARY FINANCIAL INFORMATION *(Continued)*

	As at 30 September				
	2007	2006*	2005	2004	2003
ASSETS AND LIABILITIES	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**551,335**	466,209	456,288	458,955	455,754
Current assets	**734,291**	696,505	657,521	599,252	614,994
TOTAL ASSETS	**1,285,626**	1,162,714	1,113,809	1,058,207	1,070,748
Current liabilities	**283,377**	232,424	206,141	176,039	212,884
Non-current liabilities	**6,428**	5,843	6,287	6,374	6,251
TOTAL LIABILITIES	**289,805**	238,267	212,428	182,413	219,135
NET ASSETS	**995,821**	924,447	901,381	875,794	851,613

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

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 28 and 29 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 30 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2007, the Company's reserves available for distribution, comprising the contributed surplus and retained profits, amounted to HK$270,726,000. 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 2007 may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS *(Continued)*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 30% of the Group's total sales for the year and sales to the Group's largest customer accounted for 10% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 27% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 14% 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. Wong Choi Kam
Ms. Kan Lai Kuen, Alice*

* *Independent non-executive directors*

In accordance with clause 111 of the Company's bye-laws, Ms. Wong Choi Kam and Ms. Wong Chun Ying 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 2008.

REPORT OF THE DIRECTORS *(Continued)*

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 2007, 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**	**Total**	**Percentage of the Company's issued share capital**
Executive directors:				
Ms. Wong King Ching, Helen and Ms. Wong King Man	200,000	400,000,000 (Note 1)	400,200,000	39.4
Non-executive directors:				
Mr. Wong Kim Seong	50,000,000	–	50,000,000	4.9
Ms. Wong Choi Kam	–	100,000,000 (Note 2)	100,000,000	9.8
	50,200,000	500,000,000	550,200,000	54.1

Notes:

1. 400,000,000 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. 200,000 shares are directly held and owned by Ms. Wong King Ching, Helen.

2. These shares are held by Atworth Profits Limited, a company beneficially owned by Ms. Wong Choi Kam.

REPORT OF THE DIRECTORS *(Continued)*

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 29 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 29 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 35 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;

REPORT OF THE DIRECTORS *(Continued)*

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 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 Mr. Wong Kun Kim, Mr. So Day Wing and Ms. Kan Lai Kuen, Alice, the three independent non-executive directors of the Company. The Group's financial statements for the year ended 30 September 2007 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

PCP 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
28 January 2008

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.

The Company has arranged for appropriate liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed periodically.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition

The Board currently comprises 3 Directors, 3 non-executive Directors and 3 Independent non-executive Directors.

The Board members for the year ended 30 September 2007 are:

Executive Directors
Wong King Ching, Helen
Wong King Man
Leung Chi Fai

Non-executive Directors
Wong Choi Kam
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 page 8 of this annual report.

During the year ended 30 September 2007, 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 2006/07 to discuss and review the following matters:

1. review of the annual results for the year ended 30 September 2006 and the interim results for the period ended 31 March 2007;

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

3. consideration of the appointment and audit fees of the external auditor;

4. discussion on the recovery of certain debts;

5. review the related parties transactions;

6. 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;

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

CORPORATE GOVERNANCE REPORT *(Continued)*

AUDIT COMMITTEE *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings and Remuneration Committee meetings held for the year ended 30 September 2007 are set out in the table below:

	No. of meetings attended/entitled to attend		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Wong King Ching, Helen *(Chairman)*	3/3	–	1/1
Wong King Man *(Vice-Chairman)*	2/3	–	–
Leung Chi Fai	3/3	2/2	1/1
Non-executive Directors			
Wong Choi Kam	2/3	–	–
Wong Chun Ying	2/3	–	–
Wong Kim Seong	2/3	–	–
Independent Non-executive Directors			
Wong Kun Kim	3/3	2/2	1/1
So Day Wing	3/3	2/2	1/1
Kan Lai Kuen	3/3	2/2	1/1

AUDITOR'S REMUNERATION

The Group's external auditor is PCP CPA Limited. During the year ended 30 September 2007, the total fee paid/payable in respect of audit and non-audit services provided by the external auditor is set out below:

	2007 **HK$'000**	2006 HK$'000
Audit services	**850**	1,080
Tax services	**100**	67

CORPORATE GOVERNANCE REPORT *(Continued)*

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.

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.

During the year, the Board has engaged D. P. Lau & Co. to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The review covered 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") set out on pages 22 to 74, which comprise the consolidated and company balance sheets as at 30 September 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements
The directors of the Company are responsible for the preparation and the true and fair presentation of these 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. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PCP CPA Limited
Certified Public Accountants
Hong Kong, 28 January 2008

Chua Suk Lin, Ivy
Practising Certificate No.: P02044

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
REVENUE	5	**1,088,876**	1,027,607
Cost of sales		**(1,011,077)**	(946,059)
Gross profit		**77,799**	81,548
Other income and gain	5	**16,347**	5,241
Selling and distribution costs		**(7,188)**	(8,093)
Administrative expenses		**(58,175)**	(52,887)
Write-back of accounts receivable		**–**	2,898
Other operating expenses		**(7,004)**	(9,270)
Finance costs	6	**(4,536)**	(1,276)
Share of profit of a jointly-controlled entity		**1,100**	892
PROFIT BEFORE TAX	7	**18,343**	19,053
Tax	9	**(4,765)**	(4,576)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10, 30	**13,578**	14,477
DIVIDENDS	11	**10,160**	10,160
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	12	**1.3 cents**	1.4 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**421,712**	372,959
Investment properties	14	**39,270**	30,841
Prepaid land lease payments	15	**66,858**	35,953
Interest in a jointly-controlled entity	17	**15,336**	11,116
Deferred tax assets	27	**2,004**	1,844
Deposits paid for acquisition of prepaid land lease payments and property, plant and equipment	18	**6,155**	13,496
Total non-current assets		**551,335**	466,209
CURRENT ASSETS			
Inventories	19	**332,208**	266,961
Accounts receivable	20	**234,012**	193,597
Prepayments, deposits and other receivables		**70,136**	24,455
Equity investments at fair value through profit or loss	21	**–**	179
Derivative financial instruments	22	**7,547**	10,791
Due from a related company	23	**6,311**	7,713
Due from a jointly-controlled entity	17	**6,090**	5,604
Tax recoverable		**80**	539
Pledged time deposits	24	**3,265**	3,095
Cash and cash equivalents	24	**74,642**	183,571
Total current assets		**734,291**	696,505
CURRENT LIABILITIES			
Accounts payable	25	**87,827**	114,105
Accrued liabilities and other payables		**28,733**	46,811
Interest-bearing bank borrowings	26	**132,621**	43,529
Tax payable		**34,196**	27,979
Total current liabilities		**283,377**	232,424
NET CURRENT ASSETS		**450,914**	464,081
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,002,249**	930,290
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**6,428**	5,843
Net assets		**995,821**	924,447
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	28	**101,600**	101,600
Reserves	30	**884,061**	812,687
Proposed final dividend	11	**10,160**	10,160
Total equity		**995,821**	924,447

Director Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2007

	Attributable to equity holders of the company								
	Share capital	Share premium account	Contributed surplus	Capital redemption reserve	Revaluation reserve	Exchange fluctuation reserve	Reserve fund	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 October 2005	101,600	177,325	56,471	509	44,181	1,303	11,180	508,812	901,381
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	18,749	–	–	18,749
Transfer from retained profits	–	–	–	–	–	–	996	(996)	–
Profit for the year	–	–	–	–	–	–	–	14,477	14,477
Proposed final 2006 dividend	–	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2006	101,600	177,325	56,471	509	44,181	20,052	12,176	512,133	924,447
At 1 October 2006	101,600	177,325	56,471	509	44,181	20,052	12,176	512,133	924,447
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	67,956	–	–	67,956
Transfer from retained profits	–	–	–	–	–	–	752	(752)	–
Profit for the year	–	–	–	–	–	–	–	13,578	13,578
Proposed final 2007 dividend	–	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2007	**101,600**	**177,325**	**56,471**	**509**	**44,181**	**88,008**	**12,928**	**514,799**	**995,821**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Profit before tax	**18,343**	19,053
Adjustments for:		
– Depreciation	**45,470**	59,195
– Recognition of prepaid land lease payments	**933**	825
– Loss on disposal of items of property, plant and equipment	**7**	–
– Bank interest income	**(1,627)**	(1,640)
– Changes in fair value of an investment property	**(5,950)**	190
– Finance costs	**4,536**	1,276
– Reversal of allowance of bad debts	**–**	(2,898)
– Bad debts written off	**3,604**	1,403
– Provision for/(write-back of) inventories	**110**	(265)
– (Gain)/loss on disposal of derivative financial instruments	**(269)**	364
– Changes in fair value of derivative financial statements	**251**	–
– Share of profit of a jointly-controlled entity	**(1,100)**	(892)
Operating profit before working capital changes	**64,308**	76,611
(Increase)/decrease in inventories	**(40,926)**	5,930
(Increase) in accounts receivable	**(44,019)**	(10,219)
(Increase) in prepayments, deposits and other receivables	**(45,516)**	(4,322)
Decrease/(increase) in an amount due from a related company	**1,402**	(1,466)
(Decrease) in accounts payable	**(26,278)**	(12,252)
(Decrease)/increase in accrued liabilities and other payables	**(18,078)**	3,433
Cash (used in)/generated from operations	**(109,107)**	57,715
Interest received	**1,627**	1,640
Interest paid	**(4,536)**	(1,276)
Hong Kong profits tax refund	**459**	–
Mainland China corporate income tax paid	**(1,158)**	(438)
Net cash (used in)/generated from operating activities	**(112,715)**	57,641

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(14,877)**	(17,704)
Purchases of prepaid land lease payments		**(18,471)**	(2,070)
Purchase of an investment property		**–**	(28,571)
Purchases of equity investments at fair value through profit or loss		**–**	(179)
Purchases of derivative financial instruments		**(27,689)**	(10,791)
Proceeds from disposal of items of property, plant and equipment		**–**	680
Additions to construction in progress		**(50,400)**	(12,547)
Proceeds from disposal of prepaid land lease payments		**–**	632
Proceeds from disposal of derivative financial instruments		**31,130**	4,616
Additional interests of a jointly-controlled entity		**(3,120)**	–
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**–**	(2,280)
Repayment (to)/from a jointly-controlled entity		**(486)**	73
Net cash (used in) investing activities		**(83,913)**	(68,141)
Cash flows from financing activities			
Decrease in trust receipt loans		**(1,588)**	(4,045)
New bank loans		**124,966**	113,333
Repayment of bank loans		**(37,260)**	(74,267)
Dividends paid		**(10,160)**	(10,160)
Net cash generated from financing activities		**75,958**	24,861
Net (decrease)/increase in cash or cash equivalents		**(120,670)**	14,361
Cash and cash equivalents at beginning of year		**186,666**	170,994
Effect of foreign exchange rate changes, net		**11,911**	1,311
Cash and cash equivalents at end of year		**77,907**	186,666
Analysis of balances of cash and cash equivalents			
Cash and bank balances	24	**74,109**	116,796
Non-pledged time deposits with original maturity of less than three months when acquired	24	**533**	66,775
Time deposits with original maturity of less than three months when acquired, pledged as security for trust receipt loans facilities	24	**3,265**	3,095
		77,907	186,666

BALANCE SHEET

At 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**118,577**	118,577
CURRENT ASSETS			
Due from subsidiaries	16	**433,803**	442,487
Equity investments at fair value through profit or loss	21	**—**	179
Derivative financial instruments	22	**7,547**	10,791
Bank balances	24	**1,214**	3,192
Total current assets		**442,564**	456,649
CURRENT LIABILITIES			
Accrued liabilities and other payables		**819**	804
Due to a subsidiary	16	**2**	2
Total current liabilities		**821**	806
NET CURRENT ASSETS		**441,743**	455,843
Net assets		**560,320**	574,420
EQUITY			
Issued capital	28	**101,600**	101,600
Reserves	30	**448,560**	462,660
Proposed final dividend	11	**10,160**	10,160
Total equity		**560,320**	574,420

Director　　　　Director

NOTES TO FINANCIAL STATEMENTS

30 September 2007

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. The registered office and principal place of business of the Company are discussed in the corporate information section of the annual report.

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 personal data assistants). 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for investment properties, certain property, plant and equipment, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred as the "Group") and the Group's interest in a jointly controlled entity for the year ended 30 September 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the current accounting period. The adoption of the new HKFRSs does not have any significant change to the accounting policies nor had any material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Standards, amendments and interpretations which are not yet effective

The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted:

HKAS 1 Amendment	Presentation of financial statements – capital disclosures
HKFRS 7	Financial instruments: disclosures
HKFRS 8	Operating segments
HKAS 23 (Revised)	Borrowing costs
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11	Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 14	The limit on a defined benefit asset, minimum funding requirements and their interaction

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its, boards of directors; or over which the company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any accumulated impairment losses.

Joint venture companies

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake economic activity of the entity. The joint venture company operates as a separate entity in which the Group and other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture company and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company; or

(b) a jointly-controlled entity, if the Company does not have unilateral control but has joint control, directly or indirectly, over the joint venture company; or

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) an equity investment, accounted for in accordance with HKAS 39, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entity

A jointly-controlled entity is a joint venture company that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in the jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The result of a jointly-controlled entity is included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in the jointly-controlled entity is treated as non-current asset and is stated at cost less any impairment loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), 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.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of an individual referred to in (a) or (c);

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

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

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 the income statement 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 the income statement. Any subsequent revaluation surplus is credited to the income statement 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%
Moulds	10%
Motor vehicles	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 each balance sheet date.

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.

Investment properties

Investment properties are interests in land and buildings (include the leasehold interest under an operating lease for a property which would otherwise met the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production of supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of the financial asset or part of a group of similar financial assets) is derecognised where:

– the rights to receive cash flows from the asset have expired;

– the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

– the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing bank borrowings)

Financial liabilities including accounts payable, accrued liabilities and other payables and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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.

For the purpose of the consolidated balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and a jointly-controlled entity, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and the taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utililsed.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

(a) 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;

(b) rental income, on a time proportion basis over the lease terms;

(c) 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

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

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 each balance sheet date 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 the income statement 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 substituted 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, 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.

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.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

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 employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes (Continued)

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 the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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:

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are 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 such 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) Estimate of fair value of investment properties

The best evidence of fair value is the current prices in an active market for similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair-value estimates. In making its judgement, management considers information from (i) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions; and (iii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing leases and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and by using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

(iii) Realisability of deferred tax assets

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts for the financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which the estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carryforward tax losses, the asset balance will be reduced and charged to the income statement.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(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.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 September 2007 and 2006.

Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**283,260**	332,896	**804,249**	659,904	**1,367**	34,807	**1,088,876**	1,027,607
Other income and gain	**1,005**	597	**5,494**	2,981	**6**	19	**6,505**	3,597
Total	**284,265**	333,493	**809,743**	662,885	**1,373**	34,826	**1,095,381**	1,031,204
Segment results	**2,220**	1,726	**10,948**	18,640	**55**	(1,257)	**13,223**	19,109
Interest and unallocated other income and gain							**9,842**	1,644
Unallocated expenses							**(1,286)**	(1,316)
Finance costs							**(4,536)**	(1,276)
Share of profit of a jointly-controlled entity							**1,100**	892
Profit before tax							**18,343**	19,053
Tax							**(4,765)**	(4,576)
Profit for the year attributable to equity holders of the parent							**13,578**	14,477

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**423,787**	363,764	**617,211**	477,911	**5,171**	10,955	**1,046,169**	852,630
Interest in a jointly-controlled entity							**21,426**	16,720
Unallocated assets							**218,031**	293,364
Total assets							**1,285,626**	1,162,714
Segment liabilities	**29,068**	31,438	**91,183**	118,349	**241**	14,022	**120,492**	163,809
Unallocated liabilities							**169,313**	74,458
Total liabilities							**289,805**	238,267
Other segment information:								
Capital expenditure	**12,680**	6,021	**50,722**	33,042	**–**	–	**63,402**	39,063
Unallocated capital expenditure							**27,687**	28,688
							91,089	67,751
Depreciation	**28,897**	35,201	**15,960**	22,652	**–**	–	**44,857**	57,853
Unallocated depreciation							**613**	1,342
							45,470	59,195
Provision for/(write-back of) inventories	**(128)**	505	**233**	673	**5**	(1,443)	**110**	(265)
Impairment/(write-back) of accounts receivable	**1,082**	(1,033)	**2,518**	(1,777)	**4**	(88)	**3,604**	(2,898)
Changes in fair value of an investment property	**–**	–	**–**	–	**–**	–	**(5,950)**	(190)
Recognition of prepaid land lease payments	**–**	–	**–**	–	**–**	–	**933**	825

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 30 September 2007 and 2006.

Group

	Hong Kong		Mainland China		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
Sales to external customers	**219,053**	299,087	**186,156**	152,948	**135,293**	116,826	**252,481**	210,847	**193,907**	158,949	**101,986**	88,950	**1,088,876**	1,027,607
Other segment information:														
Total assets	**110,407**	174,130	**1,164,284**	965,469	**9,886**	21,223	**449**	752	**415**	530	**185**	610	**1,285,626**	1,162,714
Capital expenditure	**1,872**	116	**89,217**	67,635	**–**	–	**–**	–	**–**	–	**–**	–	**91,089**	67,751

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

** American countries principally included 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, Pakistan and Egypt, etc.

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's other income and gain is as follows:

	2007	2006
	HK$'000	HK$'000
Other income		
Bank interest income	**1,627**	1,640
Gross rental income	**2,203**	169
Gain on disposal of derivative financial instruments	**269**	–
Interest income from derivative financial instruments	**1,144**	–
Dividend income	**212**	252
Others	**4,942**	3,180
	10,397	5,241
Gain		
Fair value gain on an investment property	**5,950**	–
	16,347	5,241

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**4,536**	1,276

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007	2006
	HK$'000	HK$'000
Cost of inventories sold	**1,011,077**	946,059
Depreciation	**45,470**	59,195
Recognition of prepaid land lease payments	**933**	825
Research and development costs	**133**	290
Minimum lease payments under operating leases in respect of land and buildings	**1,322**	1,124
Auditor's remuneration	**850**	1,080
Employee benefits expense (excluding directors' remuneration – note 8(a)):		
Wages, salaries and allowances	**213,806**	183,804
Pension schemes contributions (defined contribution schemes)*	**7,039**	5,241
	220,845	189,045
Gross rental income	**2,203**	169
Less: outgoings	**–**	(11)
Net rental income	**2,203**	158
Provision for/(write-back of) inventories	**110**	(265)
Bad debts written off	**3,604**	1,403
Reversal of allowance of bad debts	**–**	(2,898)
Foreign exchange differences, net	**3,227**	7,147
(Gain)/loss on disposal of derivative financial instruments	**(269)**	364
Loss on disposal of items of property, plant and equipment	**7**	–
Changes in fair value of derivative financial instruments	**251**	–
Changes in fair value of an investment property	**(5,950)**	190

* As at 30 September 2007, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil).

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

7. PROFIT BEFORE TAX *(Continued)*

The cost of inventories sold includes allowance for inventories of HK$110,000 (2006: write-back of HK$265,000) and aggregate employee benefits expense, depreciation and recognition of prepaid land lease payments of approximately HK$241,817,000 (2006: HK$222,107,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' remuneration

Directors' remuneration 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, is as follows:

	2007	2006
	HK$'000	HK$'000
Fees	**900**	825
Other emoluments:		
Salaries and allowances	**5,980**	5,342
Pension scheme contributions	**36**	36
	6,016	5,378
	6,916	6,203

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

The remuneration of executive and non-executive directors is set out below:

Name	Fees 2007 HK$'000	Salaries and allowances 2007 HK$'000	Pension scheme contributions 2007 HK$'000	Total 2007 HK$'000	Total 2006 HK$'000
Executive directors:					
Ms. Wong King Ching, Helen	–	2,698	12	2,710	2,024
Mr. Leung Chi Fai	–	873	12	885	887
Ms. Wong King Man	–	2,409	12	2,421	2,467
	–	5,980	36	6,016	5,378
Non-executive directors:					
Mr. So Day Wing*	180	–	–	180	155
Mr. Wong Kim Seong	–	–	–	–	–
Mr. Wong Kun Kim*	180	–	–	180	155
Mr. Kuo Yen Ting* #	–	–	–	–	50
Ms. Wong Chun Ying	240	–	–	240	240
Ms. Wong Choi Kam	120	–	–	120	120
Ms. Kan Lai Kuen, Alice*	180	–	–	180	105
	900	–	–	900	825
	900	5,980	36	6,916	6,203

Mr. Kuo Yen Ting resigned on 1 March 2006

* Independent non-executive directors

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(b) Five highest paid employees' remuneration

The five highest paid employees during the year included three (2006: three) directors, details of whose remuneration are set out in (a) above. Details of the remuneration of the remaining two (2006: two) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries and allowances	**1,192**	1,336
Pension scheme contributions	**24**	24
	1,216	1,360

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**2**	2

9. TAX

	Group	
	2007	2006
	HK$'000	HK$'000
Current – Mainland China		
Charge for the year	**4,765**	5,418
Deferred tax (note 27)	**–**	(842)
	4,765	4,576

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 (2006: 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

9. TAX *(Continued)*

On 14 April 2003, 4 April 2004, 28 March 2005, 10 July 2006 and 19 October 2007, tax concessions have been granted by the local municipal tax bureau, under which the effective income tax rate applicable to Xinwei Electronic Industrial Co., Ltd., Fujian ("Fujian Xinwei"), a wholly-owned subsidiary of the Company, has remained at 10% for the periods from 1 January 2003 to 31 December 2007. As a result, for the years ended 30 September 2006 and 2007, a provision for income tax has been made at a tax rate of 10% for the entire assessable profit attributable to Fujian Xinwei.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new enterprise income tax law of the PRC. The new enterprise income tax rates for domestic and foreign enterprises are unified at 25% which will take effect on 1 January 2008. Foreign enterprises which are entitled to special incentives will be given concessions throughout a 5-year transition period, if applicable. However, detailed implementation of the new tax law has yet to be made public. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2008 annual financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts incurred in the balance sheet as at 30 September 2007 in respect of current tax payable.

A reconciliation of the tax expense applicable to profit 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	
	2007	2006
	HK$'000	HK$'000
Profit before tax	**18,343**	19,053
Tax at statutory tax rate	**8,065**	7,834
Lower tax rate for specific province or local authority	**(7,194)**	(5,032)
Profits and losses attributable to jointly-controlled entity	**(171)**	(138)
Income not subject to tax	**(1,318)**	(262)
Expenses not deductible for tax	**3,142**	1,143
Tax losses utilised from previous periods	**–**	(148)
Tax losses not recognised	**2,241**	1,179
Tax charge at the Group's effective rate	**4,765**	4,576

The share of tax attributable to the jointly-controlled entity amounting to HK$171,000 (2006: HK$138,000) is included in "Share of profit of a jointly-controlled entity" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

10. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 30 September 2007 includes a loss of HK$3,940,000 (2006: HK$4,375,000) which has been dealt with in the financial statements of the Company (note 30).

11. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Proposed final dividend – 1 cent (2006: 1 cent) per ordinary share	**10,160**	10,160

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$13,578,000 (2006: HK$14,477,000) and 1,016,001,301 (2006: 1,016,001,301) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 30 September 2007 and 2006 have not been disclosed, as the share options outstanding during the years do not have dilutive effect on the basic earnings per share for these years.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant, machinery and office equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:							
At beginning of year	182,984	59,691	265,822	16,409	1,238	15,339	541,483
Additions	–	168	12,769	1,883	57	50,400	65,277
Disposals and write-off	–	–	(54)	–	–	–	(54)
Exchange realignment	14,900	5,128	19,310	1,197	–	1,445	41,980
At 30 September 2007	**197,884**	**64,987**	**297,847**	**19,489**	**1,295**	**67,184**	**648,686**
Accumulated depreciation:							
At beginning of year	35,984	28,393	87,984	15,168	995	–	168,524
Provided during the year	8,826	6,439	29,845	328	32	–	45,470
Disposals and write-off	–	–	(47)	–	–	–	(47)
Exchange realignment	1,849	2,343	7,714	1,121	–	–	13,027
At 30 September 2007	**46,659**	**37,175**	**125,496**	**16,617**	**1,027**	**–**	**226,974**
Net book value:							
At 30 September 2007	**151,225**	**27,812**	**172,351**	**2,872**	**268**	**67,184**	**421,712**
At 30 September 2006	147,000	31,298	177,838	1,241	243	15,339	372,959
An analysis of cost or valuation:							
At cost	9,879	64,987	123,095	4,451	1,295	67,184	270,891
At valuation:							
Open market value	4,250	–	–	–	–	–	4,250
Depreciated replacement cost	183,755	–	174,752	15,038	–	–	373,545
	197,884	64,987	297,847	19,489	1,295	67,184	648,686

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

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

Group

	Buildings	Leasehold improvements	Plant, machinery and office equipment	Moulds	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:								
At beginning of year	177,941	57,968	420,589	19,351	16,046	1,228	2,715	695,838
Additions	–	129	17,565	–	–	10	12,547	30,251
Disposals and write-off	(661)	–	(184,322)	(19,905)	(19)	–	–	(204,907)
Exchange realignment	5,704	1,594	11,990	554	382	–	77	20,301
At 30 September 2006	182,984	59,691	265,822	–	16,409	1,238	15,339	541,483
Accumulated depreciation:								
At beginning of year	26,556	21,919	223,276	19,160	13,260	954	–	305,125
Provided during the year	8,826	5,908	42,663	198	1,561	39	–	59,195
Disposals and write-off	–	–	(184,322)	(19,905)	–	–	–	(204,227)
Exchange realignment	602	566	6,367	547	347	2	–	8,431
At 30 September 2006	35,984	28,393	87,984	–	15,168	995	–	168,524
Net book value:								
At 30 September 2006	147,000	31,298	177,838	–	1,241	243	15,339	372,959
At 30 September 2005	151,385	36,049	197,313	191	2,786	274	2,715	390,713
An analysis of cost or valuation:								
At cost	9,879	59,691	110,327	–	2,569	1,238	15,339	199,043
At valuation:								
Open market value	4,250	–	–	–	–	–	–	4,250
Depreciated replacement cost	168,855	–	155,495	–	13,840	–	–	338,190
	182,984	59,691	265,822	–	16,409	1,238	15,339	541,483

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

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

In the opinion of the directors, there had been a material difference between the fair value and the carrying value of the Group's buildings, prepaid land lease payments, plant, machinery and office equipment, and motor vehicles as at 30 September 2002 and therefore professional valuation had been made on 30 September 2002. The Group's buildings and prepaid land lease payments located in Hong Kong were revalued on 30 September 2002 by Chesterton Petty Limited, at HK$7,800,000, on an open market, existing use basis. The Group's buildings are prepaid land lease payments located in Mainland China and the Group's plant, machinery and office equipment, and motor vehicles as at 30 September 2007, other than the additions and transfer-in in the years ended 30 September 2003, 2004, 2005, 2006 and 2007, were revalued on 30 September 2002 by Chesterton Petty Limited on a depreciated replacement cost basis, at HK$194,166,000, HK$327,827,000, and HK$13,458,000, respectively.

In the opinion of the directors, there was no material movement in fair value of those revalued property, plant and equipment. Accordingly no professional valuation of such buildings, plant, machinery and office equipment, and motor vehicles was made as at 30 September 2007 because the directors are of the opinion that the fair value of such revalued property, plant and equipment at 30 September 2007 is not significantly different from the carrying amount at 30 September 2002 and that a further professional valuation would involve expense out of proportion to the value to the shareholders of the Group.

As at 30 September 2007, the carrying values of the buildings, plant, machinery and office equipment, and motor vehicles arising from the additions and transfer-in in the years ended 30 September 2003, 2004, 2005, 2006 and 2007, amounted to HK$9,879,000, HK$123,095,000, HK$4,451,000, respectively. In the opinion of the directors, the fair value of such property, plant and equipment at 30 September 2007 is not significantly different from the carrying amount at 30 September 2007. Accordingly, no professional valuation of the additions and transfer-in in the years ended 30 September 2003, 2004, 2005, 2006 and 2007 in respect of buildings, plant, machinery and office equipment, and motor vehicles was made as at 30 September 2007.

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$117,971,000 (2006: HK$109,860,000), HK$181,403,000 (2006: HK$172,981,000) and HK$3,655,000 (2006: HK$2,120,000), respectively.

Certain buildings of the Group with a total carrying value of HK$3,211,000 (2006: HK$3,355,000) were pledged to secure banking facilities granted to the Group (note 26) as at 30 September 2007.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

14. INVESTMENT PROPERTIES

	2007	2006
	HK$'000	HK$'000
Current – Mainland China		
Carrying amount at the beginning of the year	**30,841**	2,460
Additions	**–**	28,571
Net profit/(loss) from a fair value adjustment	**5,950**	(190)
Exchange realignment	**2,479**	–
Carrying amount at the end of the year	**39,270**	30,841

The investment properties with carrying amount of HK$37,000,000 (2006: HK$28,571,000) and HK$2,270,000 (2006: HK$2,270,000) are situated in Mainland China and Hong Kong, respectively, and they are held under medium lease terms.

The Group's investment properties located in Hong Kong and Mainland China were revalued on 30 September 2007 by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$2,320,000 and HK$37,000,000 respectively, on an open market, existing use basis. Revaluation gain of HK$5,950,000 (2006: deficit of HK$190,000) has been adjusted 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 31(a) to the financial statements.

The investment property of the Group with a total carrying amount of HK$2,270,000 (2006: HK$2,270,000) were pledged to secure banking facilities granted to the Group (note 26) as at 30 September 2007.

At the balance sheet date, certificate of ownership in respect of certain portion of the investment property in Mainland China with the fair value of HK$37,000,000 (2006: HK$28,571,000), had not been issued by the relevant authorities in Mainland China and are still in progress.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at the beginning of the year	**36,778**	30,473
Additions	**25,812**	6,659
Disposals	**–**	(632)
Recognised during the year	**(933)**	(825)
Exchange realignment	**6,191**	1,103
Carrying amount at the end of the year	**67,848**	36,778
Current portion included in prepayments, deposits and other receivables	**(990)**	(825)
Non-current portion	**66,858**	35,953

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

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong, held under medium term leases	**3,156**	3,192
Mainland China, held under medium term land use rights	**64,692**	33,586
	67,848	36,778

Certain prepaid land lease payments of the Group with total carrying value of HK$3,075,000 (2006: HK$3,152,000) were pledged to secure banking facilities granted to the Group (note 26) as at 30 September 2007.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investment, at cost	**118,577**	118,577
Due from subsidiaries	**433,803**	442,487
Due to a subsidiary	**(2)**	(2)

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

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

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 equity attributable to the Company		Principal activities
			Direct	Indirect	
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-owned-foreign enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

17. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	Company	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**15,336**	11,116
Due from a jointly-controlled entity	**6,090**	5,604

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

Particulars of the jointly-controlled entity are as follows:

Name	**Business structure**	**Place of registration and operation**	**Percentage of ownership, interest, voting power and profit sharing attributable to the Group**	**Principal activities**
Taiwan Communication (Fujian) Company Limited	Corporate	PRC/Mainland China	40	Manufacture and trading of telecommunication products

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

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2007	2006
	HK$'000	HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**30,709**	5,555
Non-current assets	**4,957**	12,770
Current liabilities	**(20,330)**	(7,209)
Net assets	**15,336**	11,116
Share of the jointly-controlled entity's results:		
Turnover	**39,673**	31,491
Other revenue	**26**	41
Total revenue	**39,699**	31,532
Total expenses	**(38,428)**	(30,502)
Tax	**(171)**	(138)
Profit after tax	**1,100**	892

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

18. DEPOSITS PAID FOR ACQUISITION OF PREPAID LAND LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

The balances represent aggregate deposits of HK$3,137,000 (2006: HK$13,435,000) paid in respect of the acquisition of land use rights of land located in the PRC and aggregate deposits of HK$3,018,000 (2006: HK$61,000) paid in respect of purchases of property, plant and equipment. The related capital commitments are set out in note 32.

19. INVENTORIES

(a) An analysis of the inventories as at the balance sheet date, net of provision, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**122,937**	137,926
Work in progress	**113,599**	41,294
Finished goods	**95,672**	87,741
	332,208	266,961

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

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount of inventories sold	**1,010,967**	946,324
Write-down of inventories	**385**	958
Reversal of write-down inventories	**(275)**	(1,223)
	1,011,077	946,059

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

20. ACCOUNTS RECEIVABLE

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, 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. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 3 months	**186,765**	151,763
4 to 6 months	**22,817**	23,413
7 to 12 months	**19,729**	20,591
Over 1 year	**63,822**	35,541
	293,133	231,308
Less: Impairment of accounts receivable	**(59,121)**	(37,711)
	234,012	193,597

Included in accounts receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group			
		2007		2006
		$'000		$'000
China Yuan Renminbi	**RMB**	**139,232**	RMB	128,078
United States Dollars	**USD**	**10,818**	USD	4,883

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, Hong Kong, at market value	**–**	179

The above equity investments at 30 September 2006 were classified as held for trading.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Derivative financial instruments	**7,547**	10,791	**7,547**	10,791

The Group and the Company have entered into three equity-linked notes (2006: two equity-linked notes) during the year which did not meet the criteria for hedge accounting.

23. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group

Name	30 September 2007 HK$'000	Maximum amount outstanding during the year HK$'000	30 September 2006 HK$'000
Scientek Enterprises (Hong Kong) Limited	**6,311**	**7,713**	7,713

Scientek Enterprise (Hong Kong) Limited is controlled by the spouse of Ms. Wong Choi Kam, a director of the company. The amount due from a related company is unsecured and interest-free. The credit period is generally for a period of three months. The carrying amount of the balance approximates to its fair value.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**74,109**	116,796	**681**	3,192
Time deposits		**3,798**	69,870	**533**	–
		77,907	186,666	**1,214**	3,192
Less: Pledged time deposits for trust receipt loans facilities	26	**(3,265)**	(3,095)	**–**	–
Cash and cash equivalents		**74,642**	183,571	**1,214**	3,192

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
China Yuan Renminbi	**RMB40,274**	RMB 69,327	**RMB –**	RMB –
United States Dollars	**USD 1,718**	USD 2,517	**USD 155**	USD –
Euros	**EUR 6**	EUR –	**EUR –**	EUR –
Japanese Yen	**JPY 8,374**	JPY 395	**JPY –**	JPY –

At the balance sheet date, the cash and bank balances of the Group are denominated in Renminbi ("RMB") amounted to approximately HK$41,684,000 (2006: HK$65,566,000). 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.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods of 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 the pledged deposits approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

25. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 3 months	**79,333**	104,753
4 to 6 months	**5,849**	4,883
7 to 12 months	**606**	1,946
Over 1 year	**2,039**	2,523
	87,827	114,105

The accounts payable is non-interest-bearing and is normally settled on 90-day terms.

Included in accounts payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	$'000	$'000
China Yuan Renminbi	**RMB 34,574**	RMB 77,794
United States Dollars	**USD 3,258**	USD 2,141
Euros	**EUR –**	EUR 36
Japanese Yen	**JPY 33,546**	JPY 86,839

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

26. INTEREST-BEARING BANK BORROWINGS

Group	2007 Effective interest rate (%)	2007 Maturity	2007 HK$'000	2006 Effective interest rate (%)	2006 Maturity	2006 HK$'000
Current						
Trust receipt loans						
– secured	**7**	**2008**	**7,655**	8 – 9	2007	9,243
Bank loans						
– secured	**5.97 – 6.26**	**2008**	**39,061**	–	–	–
Bank loans						
– unsecured	**5.10 – 5.75**	**2008**	**85,905**	4.86 – 5.27	2007	34,286
			132,621			43,529

	Group 2007 HK$'000	Group 2006 HK$'000
Analysed into:		
Bank loans repayable within one year	**132,621**	43,529

Notes:

(a) As at 30 September 2007, the Group's bank borrowings are secured by:

(i) certain buildings of HK$3,211,000 (2006: HK$3,355,000) (note 13);

(ii) an investment property of HK$2,270,000 (2006: HK$2,270,000) (note 14);

(iii) certain prepaid land lease payments of HK$3,075,000 (2006: HK$3,152,000) (note 15); and

(iv) time deposits amounted to HK$3,265,000 (2006: HK$3,095,000) (note 24).

(b) Except for the unsecured bank loan of HK$85,905,000 (2006: HK$34,286,000), all other borrowings bear interest at floating interest rates.

(c) Except for the unsecured bank loan which is denominated in RMB, all other borrowings are in Hong Kong dollars.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

27. DEFERRED TAX

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

Deferred tax liabilities

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

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**5,843**	6,287
Deferred tax credited to the income statement during the year (note 9)	**–**	(842)
Exchange realignment	**585**	398
At end of year	**6,428**	5,843

Deferred tax assets

Deferred tax assets of the Group arose from taxable and deductible temporary differences.

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**1,844**	1,761
Exchange realignment	**160**	83
At end of year	**2,004**	1,844

The Group has tax losses arising in Hong Kong of HK$31.4 million (2006: HK$40.5 million) as at 30 September 2007 that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 30 September 2007 there is no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or its jointly-controlled entity as to the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

28. SHARE CAPITAL

	2007	2006
	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 29 to the financial statements.

29. SHARE OPTION SCHEME

On 25 February 2003, the Company terminated its share option scheme adopted on 3 September 1999 (the "Old Option Scheme") and adopted a new share option scheme (the "New Option Scheme"). The options granted under the Old Option Scheme will remain in force and effect.

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 (i) 80% of the average of the closing price of shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the five trading days immediately preceding the date of offer of grant of the share options; or (ii) the nominal value of the shares of the Company.

In response to the amendments by the Hong Kong Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, the Company terminated the Old Option Scheme and then adopted the New Option Scheme on 25 February 2003 as follows:

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

29. SHARE OPTION SCHEME *(Continued)*

The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised 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 Company 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. As at 30 September 2007, the Company had outstanding 33,550,000 share options which were all granted under the Old Option Scheme and the total number of shares issuable for options was 33,550,000. It represented approximately 3.3% of the Company's shares in issue as at that date.

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 the 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 for grant 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 grant 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 (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer for grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for grant, which must be a business day; and (iii) the nominal consideration of HK$1.

Share options do not confer rights on the holders to dividends or to vote at shareholders meeting.

NOTES TO FINANCIAL STATEMENTS *(Continued)*
30 September 2007

29. SHARE OPTION SCHEME *(Continued)*

No share options were granted, exercised, cancelled or lapsed under the share option schemes of the Company during the year.

The following share options were outstanding under the share option schemes of the Company during the year:

Name or category of participant	Number of share options at 1 October 2006 and at 30 September 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's share at date of grant of options***
				HK$	HK$
Directors					
Ms. Wong Choi Kam	6,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Ms. Wong King Ching Helen	1,500,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Mr. Leung Chi Fai	1,050,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	8,550,000				
Other employees in aggregate	25,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	33,550,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 33,550,000 share options outstanding under the share option schemes of the Company. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 33,550,000 additional ordinary shares of the Company and additional share capital of HK$3,355,000 and share premium of HK$36,905,000 (before issue expenses).

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

30. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve fund HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2005								
As previously reported	177,325	56,471	509	44,181	1,303	11,180	498,652	789,621
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	18,749	–	–	18,749
Transfer from retained profits	–	–	–	–	–	996	(996)	–
Profit for the year	–	–	–	–	–	–	14,477	14,477
Proposed final 2006 dividend	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2006	177,325	56,471	509	44,181	20,052	12,176	501,973	812,687
At 1 October 2006	177,325	56,471	509	44,181	20,052	12,176	501,973	812,687
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	67,956	–	–	67,956
Transfer from retained profits	–	–	–	–	–	752	(752)	–
Profit for the year	–	–	–	–	–	–	13,578	13,578
Proposed final 2007 dividend	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2007	**177,325**	**56,471**	**509**	**44,181**	**88,008**	**12,928**	**504,639**	**884,061**

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

30. RESERVES *(Continued)*

Company

	Share premium account HK$'000	Contributed surplus* HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2005	177,325	118,377	509	180,984	477,195
Loss for the Year	–	–	–	(4,375)	(4,375)
Proposed final 2006 dividend	–	–	–	(10,160)	(10,160)
At 30 September 2006 and at 1 October 2006	177,325	118,377	509	166,449	462,660
Loss for the year	–	–	–	(3,940)	(3,940)
Proposed final 2007 dividend	–	–	–	(10,160)	(10,160)
At 30 September 2007	**177,325**	**118,377**	**509**	**152,349**	**448,560**

* The contributed surplus of the Group represents the difference between the aggregate of the nominal value 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 therefor and issued on incorporation.

The contributed surplus of the Company at the date of acquisition represents the excess of the then 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 therefor.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property located in PRC under operating lease arrangements, with the leases negotiated for terms ranging from one to five years.

At 30 September 2007, the Group had the total minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**1,863**	123
In the second to fifth year, inclusive	**6,800**	–
	8,663	123

(b) As lessee

The Group and the Company lease 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 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**259**	533	**–**	61
In the second to fifth year, inclusive	**63**	78	**–**	–
	322	611	**–**	61

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**72,665**	18,496
Authorised, but not contracted for:		
Acquisition of land use rights	**–**	13,257
	72,665	31,753

The Company did not have any other significant commitment as at the balance sheet date (2006: Nil).

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2007	2006
	HK$'000	HK$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries	**158,000**	171,000

As at the balance sheet date, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$26,385,000 (2006: HK$9,243,000).

The Group did not have any other significant contingent liabilities as at the balance sheet date (2006: Nil).

34. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group acquired certain property, plant and equipment, of which deposits of HK$2,496,000 (2006: HK$4,589,000) for acquisition of property, plant and equipment were paid in prior years.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group sold finished goods amounting to HK$8,991,000 (2006: HK$9,675,000) to a company of which the spouse of Ms. Wong Choi Kam, a director of the Company, is a director and controlling shareholder.

The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

The above related party transactions also constituted connected transactions as defined in the Listing Rules.

(b) Details of the Group's balance with its jointly-controlled entity as at the balance sheet date is disclosed in note 17 to the financial statements.

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments such as interest rate swaps and forward currency contracts shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank borrowings. The Group has an interest rate risk management policy in place to monitor and mitigate interest rate risk within tolerable risk limits.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2007

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without a specific approval of the senior management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, derivative financial instruments, equity investments and other financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

37. COMPARATIVE FIGURES

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 January 2008.