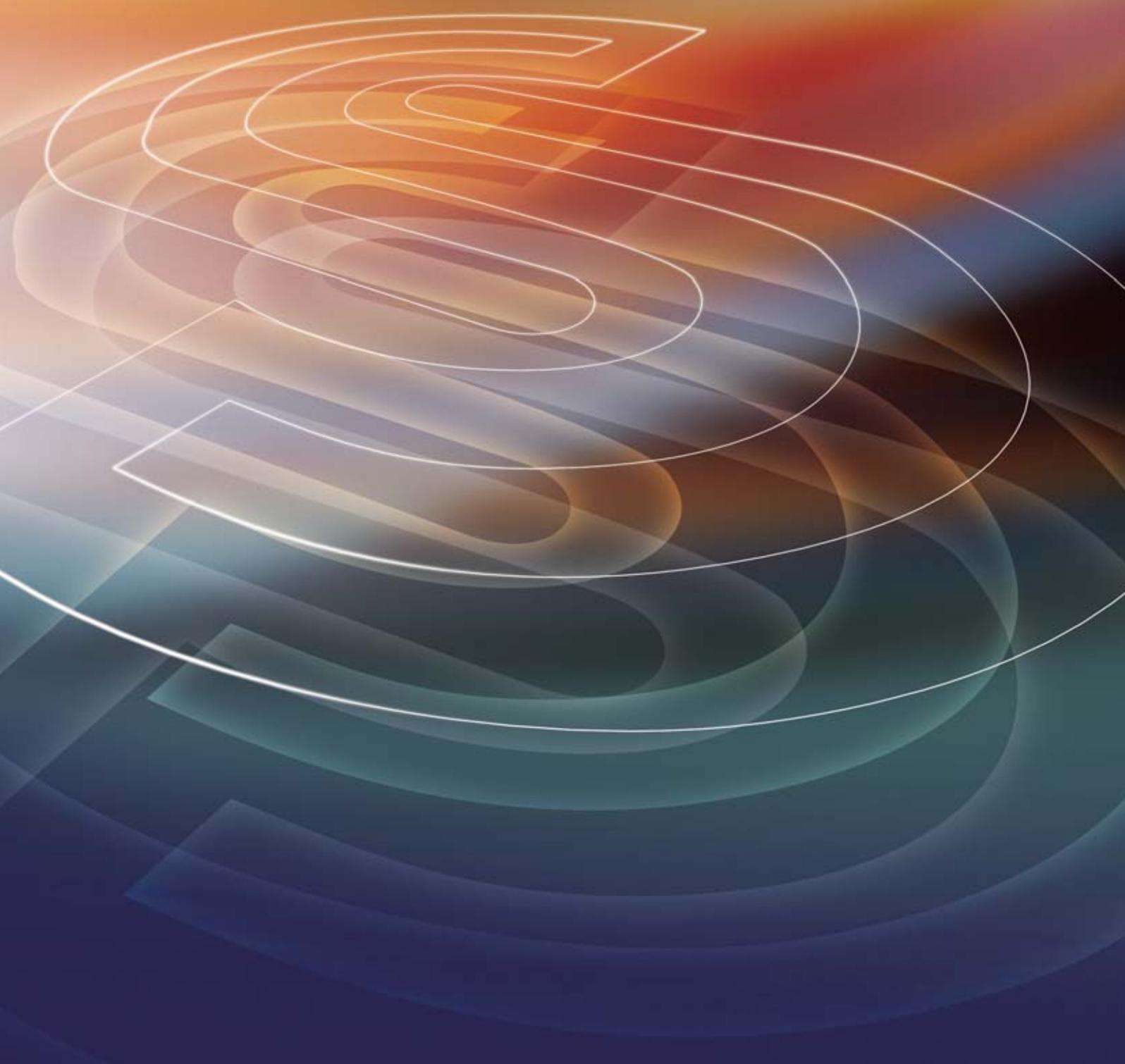




# SUNWAY INTERNATIONAL HOLDINGS LIMITED

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

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



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# CORPORATE INFORMATION

## DIRECTORS

### Executive:

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

### Non-executive:

Wong Chun Ying  
Wong Kim Seong  
Kan Lai Kuen \*  
So Day Wing \*  
Wong Kun Kim \*

\* Independent non-executive director

## COMPANY SECRETARY

Leung Chi Fai

## LEGAL ADVISERS TO THE COMPANY

As to Bermuda law:  
Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## AUDITORS

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1708-1710  
Nan Fung Centre  
264-298 Castle Peak Road  
Tsuen Wan  
New Territories  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

In Hong Kong:  
Bank of China (Hong Kong) Ltd.  
Citic Ka Wah Bank Limited  
Dah Sing Bank Ltd.  
The Hong Kong and Shanghai Banking Corporation Ltd.  
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>  
Telephone : (852) 2413 6812  
Fax : (852) 2413 6859

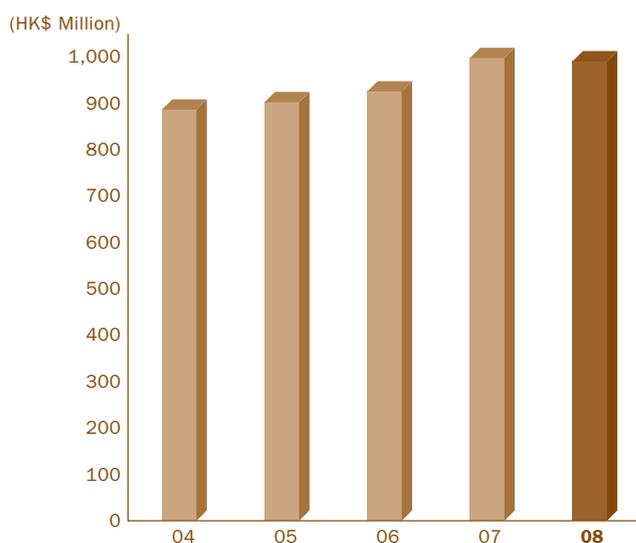
## STOCK CODE

The Stock Exchange of Hong Kong Limited: 58  
The Singapore Exchange Securities Trading Limited:  
Sunway

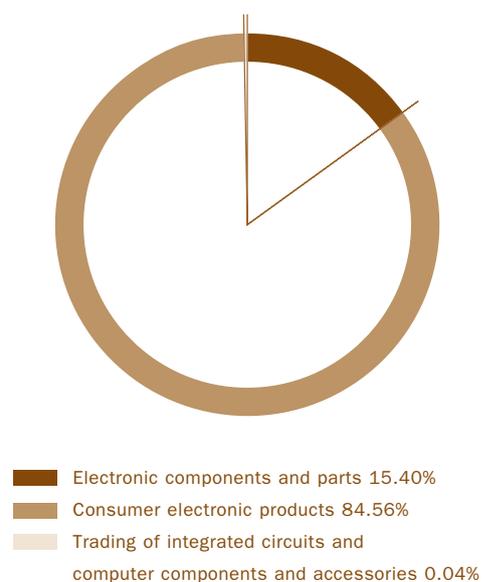
# FINANCIAL HIGHLIGHTS

	2008 HK\$'000	2007 HK\$'000
<b>OPERATING RESULTS</b>		
Revenue	1,091,120	1,088,876
(Loss)/Profit for the year attributable to equity holders of the parent	(95,162)	13,578
(Loss)/Earnings per share-basic	(9.4 cents)	1.3 cents
Proposed final dividend per share	0.5 cent	1.0 cent
<b>FINANCIAL POSITION</b>		
Total assets	1,492,208	1,285,626
Cash and bank balances	237,094	77,907
Shareholders' funds	988,741	995,821
<b>FINANCIAL RATIOS</b>		
Current ratio	1.9	2.6
Gearing ratio	50.9%	29.1%

**SHAREHOLDERS' FUNDS**



**TURNOVER BY BUSINESS SEGMENTS**



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present Sunway International Holdings Limited's Annual Report for the year ended 30 September 2008.

The operating conditions continued to be difficult for traditional manufacturers in 2008. Sunway achieved less satisfactory results for the year comparing with those of the previous years. During the year under review, the macro-economic environment became extremely difficult for manufacturing companies and the oil price reached historical high level. This has led to an increase in inflationary pressure all over the world and which resulted in rise in material cost and manufacturing cost. The slowing down of global economic growth also threatened our business. New labour law in PRC has caused an increase in labour costs. Like most of the manufacturers in PRC, the Group was facing an unprecedented difficult business environment. Despite of this, the Group still maintained its sales level and turnover rose slightly by 0.2% compared with last year to HK\$1,091,120,000.

To cope with the depressing economic and business environment, the Group has realigned our business directions. Some of our production plants in Mainland China have switched to produce higher profit margin and less labour intensive products. We pursued product innovation during the year and the favorable market response to our digital products has opened new business opportunities to the Group. The launching of digital products such as digital photo frame, camera, MP3 players was very successful. During the year, we have launched 3 new digital toy products to the market and we obtained favorable and promising result in the markets like America and Europe. We will keep on strengthening our sales effort and distribution network for these digital products.

Revenue from telephone products remained strong throughout the year. New models of mobile phone with advanced functions like camera, touch screen, MP3/MP4 3GP player, FM radio and blue tooth have been launched in the market and we obtained favorable results during the year. We will continue to invest in the development of telephone products to meet the rising consumption of high quality mobile phone worldwide.

In order to control our cost of production, one factory in Mainland China was closed during the year. In the coming year, the Group will undergo re-organization. We would scale down those operations which are less profitable. We expected that some factories will be closed or sold out and we will rely more on sub-contracting services. We believe that it can improve the cost effectiveness of our manufacturing operations in light of the rising labour and operation costs.

As at the year ended date, the Group held equity link notes for investment purposes. Subsequent to the year end, some of the equity link notes were redeemed in shares. As the market price of such shares and the underlying equity securities of the remaining equity link notes has dropped recently, the Group may need to make a further provision for loss of about HK\$3 million post year end.

Looking forward, the financial tsunami originated from US has made the global business environment even more difficult and complicated. Global recession is expected in the year 2009. The expectations are that economic activity in our major markets like US and Europe will slowdown this year. If the recession period prolongs or becomes more severe, Sunway's business will be inevitably negatively impacted. During these quite unprecedented and fast-changing times, management is focused on the basics: supporting our customers, carefully managing our cash and keeping our operations simple. We are working with our customers, suppliers and staff to navigate through these difficult times while preserving our ability to rebound when the global economic climate returns to more normal conditions.

On behalf of the Board, I would like to express my gratitude to management and staff of all levels for their dedication and contributions in the past year. I would also like to express my appreciation to our customers, suppliers, business partners and shareholders for their continuous supports.

**Wong King Ching, Helen**

*Chairman*

Hong Kong  
19 January 2009

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF RESULTS AND OPERATION

Turnover of the Group for the year ended 30 September 2008 rose slightly by 0.2% to HK\$1,091,120,000, compared to HK\$1,088,876,000 reported last year. Gross loss for the year was HK\$848,000 compared to a gross profit of HK\$77,799,000 last year. The Group recorded a gross loss because of the substantial provision made for the obsolescent stock. Manufacturing cost also increased due to the increase in labour costs and utility costs. The Group reported a net loss of HK\$95,162,000 for the year ended 30 September 2008. This compared to a net profit of HK\$13,578,000 last year. Due to the surge in crude oil price during the year, transportation cost increased, resulted in the increase in our selling expenses. Tax paid on land in PRC also increased substantially.

Turnover of electronic calculators was HK\$469,167,000, representing an increase by 2.6% year-on-year. Sales of electronic calculators contributed 43% of the Group's turnover for the year and remained to be the largest business segment of the Group. The growth in sales was contributed by the launching of a wide range of high-end electronic calculators in the market. The Group produced its own brand high-end calculators as well as OEM ones. We expected that the demand of these high-end calculators products will continue to grow in the coming years.

Sales of electronic watches and clocks recorded a growth of 3.5% to HK\$152,639,000 compared with HK\$147,541,000 last year. It accounted for 14.0% of the Group's total turnover for the year. This segment got steady demand from the market and the Group will continue to launch new models of electronic watches and clocks to expand our market share.

Telephone products recorded a turnover of HK\$132,407,000, dropped by 33.5% compared with last year. It represented 12.1% of the Group's turnover for the year. During the year, advanced models of mobile phones have been launched in the market and we obtained favorable response from the market. As consumption of telephone products continues to be strong in areas like Mainland China, South America and South East Asia, we anticipate that the telephone segment will generate growth in revenue in the future.

Sales of digital products amounted to HK\$168,462,000. It represented 15.4% of the Group's turnover for the year. The Group has launched digital photo frame, digital toys, MP3 players and camera to the market during the year. We obtained favorable response from the markets such as America and Europe. The Group will continue to innovate high quality and value-added products to meet market needs.

Revenue from liquid crystal displays ("LCD") was HK\$80,794,000, dropped 56.1% from last year. It represented 7.4% of the Group's turnover for the year. While manufacturing business of LCD remained rather stable, the decrease in turnover of LCD was due to the drop in the trading volume of TFT-LCD modules during the year.

Finance costs were HK\$10,632,000 due to the cost of financing for our operations 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 2008, the total shareholders' equity of the Group was approximately HK\$988,741,000, a decrease of 0.7% over last year. The Group's cash and bank balances and time deposits stood at HK\$237,094,000. The Group's bank loans were HK\$256,003,000 and trust receipt loans were HK\$6,836,000 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 50.9%. Gearing ratio increased due to the increase in bank loan. Bank loan at the end of the year was HK\$262,839,000 which has corresponding pledged time deposit in the amount of HK\$140,074,000 for securities. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

The Board proposed the final dividend for the year ended 30 September 2008 to be 0.5 cent (2007: 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 6 April 2009.

## CAPITAL STRUCTURE

No repurchases of shares were made and no share options were exercised, granted or cancelled except 25,000,000 share options were 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\$140,074,000 of the Group, together with the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2008, such facilities were utilised to the extent of approximately HK\$150,598,000.

## APPLICATIONS OF PROCEEDS OF SHARE OFFER

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

## EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 12,000 full time management, administrative, technical and production staff in Mainland China and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

## FOREIGN EXCHANGE AND CURRENCY RISKS

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

## CONTINGENT LIABILITIES

At 30 September 2008, 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\$172,000,000.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## PROSPECTS

Looking forward, the operating environment remains to be challenging especially a global recession is expected in the coming year. Yet the Group is well prepared to overcome these difficult conditions.

The Group is committed to product innovation and considerable time and resources have been invested in product research and development and in exploring new products. In the coming year, we will reallocate part of our resources to the development of digital products, which have higher profit margin. As the launching of digital products like digital toys, digital photo frame and camera got favorable response from the market, we believe that this segment has great potential to grow and will generate satisfactory revenue to the Group in the years to come.

# MANAGEMENT DISCUSSION AND ANALYSIS

The sales of electronic calculators remain relatively stable. We will continue to develop high-end calculator products, and with our aggressive sales teams, we hope that we can stimulate sales from the markets like Europe, Middle East and Korea.

The business of telephone products is under rapid expansion. The Group will continue to innovate high quality, with advanced functions telephone products to the market in order to keep up with the market trend and to attract new customers. With the surging demand of telephone products in emerging markets like China, Brazil, Spain and South East Asia, hopefully, telephone section will become one of our major revenue drivers in the years to come.

Despite the current upheaval in the global economy and in several of our key markets, we remain confident that the Group is well placed to strengthen its market and competitive position over time.

During the year, the Group recorded a remarkable increase in sales to our major markets like American and European countries. In the coming year, we also plan to increase our focus on the rapidly developing countries such as China, Brazil, India and Middle East.

With high quality and wide range of products, effective cost control policies, market diversification and continuous product innovation, we believe that we can improve our competitiveness and sustain business growth and development in the coming year. We remain optimistic about the business prospects and we are confident to overcome the challenges and return to profitability.

**Wong King Ching, Helen**

*Chairman*

Hong Kong

19 January 2009

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Ms. Wong King Ching, Helen**, aged 35, 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 12 years of experience in corporate management in electronics industry.

**Ms. Wong King Man**, aged 34, 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 11 years. She is the younger sister of Ms. Wong King Ching, Helen.

**Mr. Leung Chi Fai**, aged 41, 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 54, 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 60, graduated with a Bachelor of Business Administration degree from the Chinese University of Hong Kong and also holds a Postgraduate Diploma from the University of Strathclyde. He is a Member of the Institute of Chartered Accountants of Scotland and a Member of The Hong Kong Institute of Certified Public Accountants.

**Ms. Wong Chun Ying**, aged 56, 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 78, 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 64, is a registered investment advisor with The Securities and Futures Commission in Hong Kong. Mr. Wong had previously served as consultants and directors for different listed companies in Hong Kong, Taiwan, China and United States of America. He has over 37 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Chen Yun Kai**, aged 36, is the research and development manager, who specialises in the design of moulds. Prior to joining the Group, he has over 12 years of experience in moulds designing.

**Mr. Huang Ming Tan**, aged 43, 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 14 years of experience in quality assurance and control.

**Mr. Li Wei**, aged 42, 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 20 years of experience in the field.

**Mr. Rui Jian Hua**, aged 51, 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 27 years of experience in the electronics industry.

**Mr. Xiang Hou Lin**, aged 40, is the research and development manager. He has over 14 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 37, the manager of quartz crystals production department. He has worked for the Group for 14 years, with focus on the production planning and management of quartz crystals.

**Mr. Xu Jing Xing**, aged 42, 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 12 years.

**Mr. Zheng Xiang Yang**, aged 41, is the assistant production planning manager. He has 17 years of experience in computing software development and internet management and materials management and has held related position in the Group for 12 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 2008.

## PRINCIPAL ACTIVITIES

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

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

## RESULTS AND DIVIDENDS

The Group's results for the year ended 30 September 2008 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 80.

The directors recommend the payment of a final dividend of 0.5 cent per ordinary share in respect of the year, to shareholders on the register of members on 24 February 2009. 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.

RESULTS	Year ended 30 September				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue	1,091,120	1,088,876	1,027,607	956,134	899,173
(Loss)/Profit before tax	(92,164)	18,343	19,053	33,991	42,601
Tax	(2,998)	(4,765)	(4,576)	(6,882)	(8,262)
(Loss)/Profit for the year attributable to equity holders of the parent	(95,162)	13,578	14,477	27,109	34,339

# REPORT OF THE DIRECTORS

## SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS AND LIABILITIES	2008 HK\$'000	As at 30 September			
		2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current assets	<b>593,635</b>	551,335	466,209	456,288	458,955
Current assets	<b>898,573</b>	734,291	696,505	657,521	599,252
<b>TOTAL ASSETS</b>	<b>1,492,208</b>	1,285,626	1,162,714	1,113,809	1,058,207
Current liabilities	<b>480,506</b>	283,377	232,424	206,141	176,039
Non-current liabilities	<b>22,961</b>	6,428	5,843	6,287	6,374
<b>TOTAL LIABILITIES</b>	<b>503,467</b>	289,805	238,267	212,428	182,413
<b>NET ASSETS</b>	<b>988,741</b>	995,821	924,447	901,381	875,794

## 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 12 and 13 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 30 September 2008, the Company's reserves available for distribution, comprising the contributed surplus and retained profits, amounted to 238,871,000. 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 2008 may be distributed in the form of fully paid bonus shares.

# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 39% of the Group's total sales for the year and sales to the Group's largest customer accounted for 21% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 33% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 10% 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 (resigned on 27 May 2008)  
Ms. Kan Lai Kuen\*

\* *Independent non-executive directors*

In accordance with clause 111 of the Company's bye-laws, Mr. So Day Wing and Ms. Kan Lai Kuen 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 08 to 09 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 2009.

# REPORT OF THE DIRECTORS

## 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 2008, 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			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
<i>Executive directors:</i>				
Ms. Wong King Ching, Helen and Ms. Wong King Man	200,000	400,000,000 (Note 1)	400,200,000	39.4
<i>Non-executive directors:</i>				
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

# REPORT OF THE DIRECTORS

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

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.
- \* resigned on 27 May 2008

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 36 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.

# REPORT OF THE DIRECTORS

## **CONNECTED TRANSACTIONS** *(Continued)*

- (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;
- (iii) The auditors of the Company have reviewed the transactions and confirmed that:
  - (a) the transactions were approved by the board of directors;
  - (b) the transactions were entered into in accordance with the terms of the agreements relating to the transactions in question;
  - (c) the transactions were entered into in accordance with the pricing policies of the Group; and
  - (d) the aggregate consideration paid or received in respect of the transactions in the financial year reported on did not exceed 3% of the consolidated turnover of the Group as shown in its audited financial statements.

## **CORPORATE GOVERNANCE**

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

## **AUDIT COMMITTEE**

The Company's audit committee was established on 6 August 1999 in accordance with the requirements of the Code of Best Practice (the "Code") for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the audit committee at the date of this report comprised Ms. Kan Lai Kuen, Mr. So Day Wing and Mr. Wong Kun Kim, the three independent non-executive directors of the Company. The Group's financial statements for the year ended 30 September 2008 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements, and that adequate disclosures have been made.

## **AUDITORS**

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

19 January 2009

# 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

## BOARD OF DIRECTORS *(Continued)*

### (2) **Board Composition**

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

The Board members for the year ended 30 September 2008 are:

#### *Executive Directors*

Wong King Ching, Helen

Wong King Man

Leung Chi Fai

#### *Non-executive Directors*

Wong Choi Kam (resigned on 27 May 2008)

Wong Chun Ying

Wong Kim Seong

#### *Independent Non-executive Directors*

Wong Kun Kim

So Day Wing

Kan Lai Kuen

The biographies of the Directors are set out on pages 08 to 09 of this annual report.

During the year ended 30 September 2008, 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

## **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 2007/08 to discuss and review the following matters:

1. review of the annual results for the year ended 30 September 2007 and the interim results for the period ended 31 March 2008;
2. consideration of the principal accounting policies adopted by the Group;
3. review the cash flow of the Group;
4. discussion on the control of accounts receivables;
5. discussion on the control of inventories;
6. review the related parties transactions;
7. review the adequacy and effectiveness of the internal control system and make recommendation to the Board for improvement of internal control, credit control and risk management;
8. discussion on the corporate governance matters as required by the Code on Corporate Governance Practices.

# CORPORATE GOVERNANCE REPORT

## 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 2008 are set out in the table below:

Directors	No. of meetings attended/entitled to attend		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Wong King Ching, Helen (Chairman)	3/3	–	1/1
Wong King Man (Deputy Chairman)	2/3	–	–
Leung Chi Fai	3/3	2/2	1/1
<i>Non-executive Directors</i>			
Wong Choi Kam (resigned on 27 May 2008)	1/1	–	–
Wong Chun Ying	2/3	–	–
Wong Kim Seong	2/3	–	–
<i>Independent Non-executive Directors</i>			
Wong Kun Kim	3/3	2/2	1/1
So Day Wing	3/3	1/2	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 2008, the total fee paid/payable in respect of audit and non-audit services provided by the external auditor is set out below:

	2008 HK\$'000	2007 HK\$'000
Audit services	850	850
Tax services	48	100

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Remuneration Committee, comprises the three independent non-executive directors of the Company, the Chairman and Mr. Leung Chi Fai, the Finance Director of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and making recommendations to the board of directors from time to time.

## NOMINATION COMMITTEE

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

## INTERNAL CONTROL

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with required standard set out in the Model Code throughout the year.

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 80, which comprise the consolidated and company balance sheets as at 30 September 2008, 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 consolidated financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **PCP CPA Limited**

*Certified Public Accountants*

Hong Kong, 19 January 2009

### **Chua Suk Lin, Ivy**

Practising Certificate No.: P02044

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>REVENUE</b>	5	<b>1,091,120</b>	1,088,876
Cost of sales		<b>(1,091,968)</b>	(1,011,077)
Gross (loss)/profit		<b>(848)</b>	77,799
Other income and gain	5	<b>19,665</b>	16,347
Selling and distribution costs		<b>(14,295)</b>	(7,188)
Administrative expenses		<b>(67,907)</b>	(58,175)
Other operating expenses		<b>(17,730)</b>	(7,004)
Finance costs	6	<b>(10,632)</b>	(4,536)
Share of (loss)/profit of a jointly-controlled entity		<b>(417)</b>	1,100
(LOSS)/PROFIT BEFORE TAX	6	<b>(92,164)</b>	18,343
Tax	8	<b>(2,998)</b>	(4,765)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9, 30	<b>(95,162)</b>	13,578
DIVIDENDS	10	<b>5,080</b>	10,160
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	11	<b>(9.4 cents)</b>	1.3 cents
Diluted	11	<b>N/A</b>	N/A

# CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	460,198	421,712
Investment properties	13	45,080	39,270
Prepaid land lease payments	14	68,228	66,858
Interest in a jointly-controlled entity	16	14,386	15,336
Deferred tax assets	26	–	2,004
Deposits paid for acquisition of prepaid land lease payments and property, plant and equipment	17	5,743	6,155
<b>Total non-current assets</b>		<b>593,635</b>	<b>551,335</b>
<b>CURRENT ASSETS</b>			
Inventories	18	394,489	332,208
Trade receivables	19	225,274	234,012
Prepayments, deposits and other receivables		34,079	70,136
Derivative financial instruments	20	7,610	7,547
Due from a related company	21	–	6,311
Due from a jointly-controlled entity	16	27	6,090
Tax recoverable		–	80
Pledged time deposits	22	140,074	3,265
Cash and cash equivalents	22	97,020	74,642
<b>Total current assets</b>		<b>898,573</b>	<b>734,291</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	23	145,649	87,827
Accrued liabilities and other payables	23	47,285	28,733
Due to a director	24	2,377	–
Interest-bearing bank borrowings	25	251,238	132,621
Tax payable		33,957	34,196
<b>Total current liabilities</b>		<b>480,506</b>	<b>283,377</b>
<b>NET CURRENT ASSETS</b>		<b>418,067</b>	<b>450,914</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,011,702</b>	<b>1,002,249</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	25	11,601	–
Deferred tax liabilities	26	10,572	6,428
Provision for long service payment	27	788	–
<b>Net assets</b>		<b>988,741</b>	<b>995,821</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Share capital	28	101,600	101,600
Reserves	30	882,061	884,061
Proposed final dividends	10	5,080	10,160
<b>Total equity</b>		<b>988,741</b>	<b>995,821</b>

Approved and authorised for issue by the board of directors on 19 January 2009

**Wong King Ching, Helen**  
Director

**Leung Chi Fai**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 September 2008

	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	Proposed final dividends	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2006	101,600	177,325	56,471	509	44,181	20,052	12,176	501,973	10,160	924,447
Exchange realignment on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	67,956	-	-	-	67,956
Transfer to reserve fund	-	-	-	-	-	-	752	(752)	-	-
Profit for the year	-	-	-	-	-	-	-	13,578	-	13,578
Final 2006 dividends paid	-	-	-	-	-	-	-	-	(10,160)	(10,160)
Proposed final 2007 dividends	-	-	-	-	-	-	-	(10,160)	10,160	-
<b>At 30 September 2007</b>	<b>101,600</b>	<b>177,325</b>	<b>56,471</b>	<b>509</b>	<b>44,181</b>	<b>88,008</b>	<b>12,928</b>	<b>504,639</b>	<b>10,160</b>	<b>995,821</b>
At 1 October 2007	101,600	177,325	56,471	509	44,181	88,008	12,928	504,639	10,160	995,821
Exchange realignment on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	88,449	-	-	-	88,449
Surplus on revaluation of property, plant and equipment	-	-	-	-	12,145	-	-	-	-	12,145
Transfer to retained profits	-	-	-	-	(1,485)	-	-	1,485	-	-
Deferred tax	-	-	-	-	(2,352)	-	-	-	-	(2,352)
Loss for the year	-	-	-	-	-	-	-	(95,162)	-	(95,162)
Final 2007 dividends paid	-	-	-	-	-	-	-	-	(10,160)	(10,160)
Proposed final 2008 dividends	-	-	-	-	-	-	-	(5,080)	5,080	-
<b>At 30 September 2008</b>	<b>101,600</b>	<b>177,325</b>	<b>56,471</b>	<b>509</b>	<b>52,489</b>	<b>176,457</b>	<b>12,928</b>	<b>405,882</b>	<b>5,080</b>	<b>988,741</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2008

	2008 HK\$'000	2007 HK\$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(92,164)	18,343
Adjustments for:		
– Depreciation	54,209	45,470
– Recognition of prepaid land lease payments	1,356	933
– Loss on disposal of items of property, plant and equipment	203	7
– Bank and other interest income	(4,483)	(1,627)
– Changes in fair value of investment properties	(2,056)	(5,950)
– Surplus on revaluation of property, plant and equipment	(1,663)	–
– Finance costs	10,632	4,536
– Allowance for doubtful debts	15,654	3,604
– Allowance for inventories	32,839	110
– Provision for long service payment	788	–
– Gain on disposal of derivative financial instruments	(12)	(269)
– Changes in fair value of derivative financial instruments	729	251
– Share of loss/(profit) of a jointly-controlled entity	417	(1,100)
<b>Operating profit before working capital changes</b>	<b>16,449</b>	<b>64,308</b>
(Increase) in inventories	(61,728)	(40,926)
(Increase) in trade receivables	(1,092)	(44,019)
Decrease/(increase) in prepayments, deposits and other receivables	43,506	(45,516)
Decrease in amount due from a related company	–	1,402
Increase/(decrease) in trade payables	57,822	(26,278)
Increase/(decrease) in accrued liabilities and other payables	18,552	(18,078)
Increase in amount due to a director	2,377	–
<b>Cash generated from/(used in) operations</b>	<b>75,886</b>	<b>(109,107)</b>
Interest received	4,483	1,627
Interest paid	(10,632)	(4,536)
Hong Kong profits tax refund	–	459
Mainland China corporate income tax paid	(2,941)	(1,158)
<b>Net cash generated from/(used in) operating activities</b>	<b>66,796</b>	<b>(112,715)</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(21,946)	(14,877)
Proceeds from disposal of items of property, plant and equipment		46	–
Additions of prepaid land lease payments		(1,191)	(18,471)
Purchases of derivative financial instruments		(1,560)	(27,689)
Additions to construction in progress		(8,682)	(50,400)
Proceeds from disposal of derivative financial instruments		780	31,130
(Increase) in pledged time deposits		(136,809)	(170)
Additional interests of a jointly-controlled entity		(526)	(3,120)
Repayment from/(to) a jointly-controlled entity		6,681	(486)
<b>Net cash (used in) investing activities</b>		<b>(163,207)</b>	<b>(84,083)</b>
<b>Cash flows from financing activities</b>			
(Decrease) in trust receipt loans		(819)	(1,588)
New bank loans		387,358	124,966
Repayment of bank loans		(267,098)	(37,260)
Dividends paid		(10,160)	(10,160)
<b>Net cash generated from financing activities</b>		<b>109,281</b>	<b>75,958</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,870</b>	<b>(120,840)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>74,642</b>	<b>183,571</b>
<b>Effect of foreign exchange rate changes, net</b>		<b>9,508</b>	<b>11,911</b>
<b>Cash and cash equivalents at end of year</b>		<b>97,020</b>	<b>74,642</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	22	96,587	74,109
Non-pledged time deposits with original maturity of less than three months when acquired	22	433	533
		<b>97,020</b>	<b>74,642</b>

# BALANCE SHEET

At 30 September 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	15	118,577	118,577
<b>CURRENT ASSETS</b>			
Due from subsidiaries	15	397,447	433,803
Derivative financial instruments	20	7,610	7,547
Cash and cash equivalents	22	741	1,214
Total current assets		405,798	442,564
<b>CURRENT LIABILITIES</b>			
Accrued liabilities and other payables	23	709	819
Due to a subsidiary	15	2	2
Total current liabilities		711	821
<b>NET CURRENT ASSETS</b>		<b>405,087</b>	<b>441,743</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payment	27	279	–
<b>Net assets</b>		<b>523,385</b>	<b>560,320</b>
<b>EQUITY</b>			
Share capital	28	101,600	101,600
Reserves	30	416,705	448,560
Proposed final dividends	10	5,080	10,160
<b>Total equity</b>		<b>523,385</b>	<b>560,320</b>

Approved and authorised for issue by the board of directors on 19 January 2009

**Wong King Ching, Helen**  
Director

**Leung Chi Fai**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability under the Bermuda Companies Act 1981 as an exempted company, on 18 August 1998. Its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Singapore Exchange Limited. The registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

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

## 2.1 BASIS OF PREPARATION

The consolidated 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. In addition, the consolidated 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 and derivative financial instruments, which have been measured at fair value.

### **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 2008. 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 October 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the new HKFRSs had no 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.

However, the adoption of HKFRS 7 and HKAS 1 (Amendment) resulted in much extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKFRS (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate <sup>2</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>3</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>6</sup> Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 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 board 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 family member 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.

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

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at 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 THE FINANCIAL STATEMENTS

30 September 2008

## 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 a straight-line basis over the lease term. 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 term.

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

### **Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 marketplace.

### *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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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.

Subsequent to initial recognition, these are measured at fair value with changes in fair value recognised in income statement.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investments and other financial assets** (Continued)

#### *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.

#### *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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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.

### **Derecognition of financial assets**

A financial asset are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities including trade payables, 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**

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

### **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 THE FINANCIAL STATEMENTS

30 September 2008

## 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 term 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 THE FINANCIAL STATEMENTS

30 September 2008

## 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 utilised.

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 THE FINANCIAL STATEMENTS

30 September 2008

## 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.

#### *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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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 statement 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 THE FINANCIAL STATEMENTS

30 September 2008

## 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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

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

### **Estimation uncertainty** *(Continued)*

#### *Impairment test of assets*

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

## 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 THE FINANCIAL STATEMENTS

30 September 2008

## 4. SEGMENT INFORMATION (Continued)

### (a) Business segments

The following table presents revenue, profit and certain assets, liability and expenditure information for the Group's business segments for the years ended 30 September 2008 and 2007.

#### Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	168,032	283,260	922,675	804,249	413	1,367	1,091,120	1,088,876
Other income and gain	674	1,005	2,934	5,494	-	6	3,608	6,505
<b>Total</b>	<b>168,706</b>	<b>284,265</b>	<b>925,609</b>	<b>809,743</b>	<b>413</b>	<b>1,373</b>	<b>1,094,728</b>	<b>1,095,381</b>
Segment results	(17,338)	2,220	(58,571)	10,948	(12)	55	(75,921)	13,223
Interest and unallocated other income and gain							16,057	9,842
Unallocated expenses							(21,251)	(1,286)
Finance costs							(10,632)	(4,536)
Share of (loss)/profit of a jointly-controlled entity							(417)	1,100
(Loss)/profit before tax							(92,164)	18,343
Tax							(2,998)	(4,765)
(Loss)/profit for the year attributable to equity holders of the parent							(95,162)	13,578

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	362,229	423,787	689,195	617,211	1,076	5,171	1,052,500	1,046,169
Interest in a jointly-controlled entity							14,413	21,426
Unallocated assets							425,295	218,031
Total assets							1,492,208	1,285,626
Segment liabilities	52,672	29,068	130,137	91,183	11,454	241	194,263	120,492
Unallocated liabilities							309,204	169,313
Total liabilities							503,467	289,805
Other segment information:								
Capital expenditure	4,419	12,680	27,249	50,722	-	-	31,668	63,402
Unallocated capital expenditure							1,209	27,687
							32,877	91,089
Depreciation	19,951	28,897	33,537	15,960	-	-	53,488	44,857
Unallocated depreciation							721	613
							54,209	45,470
Allowance/(write-back) for inventories	10,664	(128)	22,095	233	80	5	32,839	110
Allowance for doubtful debts	2,626	1,082	13,000	2,518	28	4	15,654	3,604
Changes in fair value of investment properties	-	-	-	-	-	-	(2,056)	(5,950)
Surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	(1,663)	-
Recognition of prepaid land lease payments	-	-	-	-	-	-	1,356	933

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 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 2008 and 2007.

#### Group

	Hong Kong		Mainland China		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:														
Sales to external customers	105,442	219,053	208,050	186,156	163,926	135,293	293,601	252,481	221,348	193,907	98,753	101,986	1,091,120	1,088,876
Other segment information:														
Total assets	122,193	110,407	1,358,773	1,164,284	9,247	9,886	1,293	449	534	415	168	185	1,492,208	1,285,626
Capital expenditure	18	1,872	32,859	89,217	-	-	-	-	-	-	-	-	32,877	91,089

\* Other Asian countries principally included Indonesia, Japan, Korea 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 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:

	Group	
	2008 HK\$'000	2007 HK\$'000
<b>Other income</b>		
Bank and other interest income	4,483	1,627
Rental income	2,197	2,203
Gain on disposal of derivative financial instruments	12	269
Interest income from derivative financial instruments	308	1,144
Dividend income	–	212
Others	3,608	4,942
	<b>10,608</b>	10,397
<b>Gain</b>		
Fair value gain on investment properties	2,056	5,950
Surplus on revaluation of property, plant and equipment	1,663	–
Foreign exchange gain, net	5,338	–
	<b>9,057</b>	5,950
	<b>19,665</b>	16,347

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 6. (LOSS)/PROFIT BEFORE TAX

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

	2008 HK\$'000	2007 HK\$'000
(a) <i>Finance costs:</i>		
Interest on bank loans wholly repayable within five years	10,632	4,536
(b) <i>Employee benefits expense (excluding directors' remuneration – note 7):</i>		
Pension scheme contributions (defined contribution schemes)*	7,065	7,039
Provision for long service payment	509	–
Wages, salaries and allowances	251,857	213,806
	<b>259,431</b>	<b>220,845</b>
(c) <i>Other items:</i>		
Cost of inventories sold	1,091,968	1,011,077
Depreciation	54,209	45,470
Recognition of prepaid land lease payments	1,356	933
Research and development costs	–	133
Minimum lease payments under operating leases in respect of land and buildings	1,586	1,322
Auditor's remuneration	850	850
Rental income	(2,197)	(2,203)
Allowance for inventories	32,839	110
Allowance for doubtful debts	15,654	3,604
Foreign exchange difference, net	(5,338)	3,227
Gain on disposal of derivative financial instruments	(12)	(269)
Loss on disposal of items of property, plant and equipment	203	7
Changes in fair value of derivative financial instruments	729	251
Changes in fair value of investment properties	(2,056)	(5,950)
Surplus on revaluation of property, plant and equipment	(1,663)	–

The cost of inventories sold includes allowance for inventories of approximately HK\$32,839,000 (2007: HK\$110,000) and aggregate employee benefits expense, depreciation and recognition of prepaid land lease payments of approximately HK\$285,198,000 (2007: HK\$241,817,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

\* As at 30 September 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: HK\$Nil).

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 7. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

### 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:

	2008 HK\$'000	2007 HK\$'000
Fees	995	900
Salaries and allowances	5,731	5,980
Provision for long service payment	279	–
Pension scheme contributions	36	36
	<b>7,041</b>	<b>6,916</b>
Number of directors	<b>8</b>	<b>9</b>

The remuneration of directors for the year ended 30 September 2008 is set out below:

Name of director	Salaries and allowances		Provision for long service payment	Pension scheme contributions	Total
	Fees HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Executive directors</b>					
Ms. Wong King Ching, Helen	–	2,511	104	12	2,627
Mr. Leung Chi Fai	–	867	76	12	955
Ms. Wong King Man	–	2,353	99	12	2,464
<b>Non-executive directors</b>					
Mr. So Day Wing (b)	225	–	–	–	225
Mr. Wong Kim Seong	–	–	–	–	–
Mr. Wong Kun Kim (b)	225	–	–	–	225
Ms. Wong Chun Ying	240	–	–	–	240
Ms. Wong Choi Kam (a)	80	–	–	–	80
Ms. Kan Lai Kuen (b)	225	–	–	–	225
	<b>995</b>	<b>5,731</b>	<b>279</b>	<b>36</b>	<b>7,041</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 7. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (Continued)

### Directors' remuneration (Continued)

The remuneration of directors for the year ended 30 September 2007 is set out below:

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Provision for long service payment HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Ms. Wong King Ching, Helen	–	2,698	–	12	2,710
Mr. Leung Chi Fai	–	873	–	12	885
Ms. Wong King Man	–	2,409	–	12	2,421
<b>Non-executive directors</b>					
Mr. So Day Wing (b)	180	–	–	–	180
Mr. Wong Kim Seong	–	–	–	–	–
Mr. Wong Kun Kim (b)	180	–	–	–	180
Ms. Wong Chun Ying	240	–	–	–	240
Ms. Wong Choi Kam (a)	120	–	–	–	120
Ms. Kan Lai Kuen (b)	180	–	–	–	180
	900	5,980	–	36	6,916

Note:

(a) Resigned on 27 May 2008

(b) Independent non-executive directors

### Individuals with highest emoluments

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

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	6,675	7,172
Provision for long service payment	279	–
Pension scheme contributions	60	60
	7,014	7,232

During the period, no emoluments were paid by the Group to the five individuals with highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 7. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (Continued)

### Individuals with highest emoluments (Continued)

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individual during the year is as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	944	1,192
Pension scheme contributions	24	24
	<b>968</b>	<b>1,216</b>

The emolument of the two (2007: two) individual with the highest emolument is fell within the following band:

	Number of individual	
	2008	2007
Emolument band HK\$Nil – HK\$1,000,000	2	2

## 8. TAX

	Group	
	2008 HK\$'000	2007 HK\$'000
Current tax – Mainland China		
Charge for the year	2,104	4,765
Over-provision in respect of previous years	(2,360)	–
Deferred tax (note 26)	3,254	–
	<b>2,998</b>	<b>4,765</b>

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 (2007: HK\$Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 8. TAX (Continued)

On 14 April 2003, 4 April 2004, 28 March 2005 and 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 year ended 30 September 2007, a provision for income tax has been made at a tax rate of 10% for the entire assessable profit attributable to Fujian Xinwei.

The 5th Session of the 10th National People’s Congress approved the Corporate Income Tax Law of the PRC (the “New Corporate Income Tax Law”) on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 7 December 2007, which has been effective from 1 January 2008. According to the New Corporate Income Tax Law, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. Foreign enterprises which are entitled to special incentives will be given concessions throughout a 5-year transition period and progressively increased to 25%. The Group’s subsidiaries located in Mainland China were subject to corporate income tax at a rate of 18% commenced on 1 January 2008 and would progressively increase to 25%.

A reconciliation of the tax expense applicable to (loss)/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

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit before tax	(92,164)	18,343
Tax at statutory tax rate	(21,244)	8,065
Lower tax rate for specific province or local authority	5,104	(7,194)
Profits and losses attributable to jointly-controlled entity	(47)	(171)
Income not subject to tax	(2,637)	(1,318)
Expenses not deductible for tax	18,125	3,142
Over-provision in respect of previous years	(2,360)	–
Tax losses not recognised	3,060	2,241
Effect of change in tax rates	790	–
Others	2,207	–
Tax charge for the year	2,998	4,765

The share of tax attributable to the jointly-controlled entity amounting to HK\$47,000 (2007: HK\$171,000) is included in “Share of (loss)/profit of a jointly-controlled entity” on the face of the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 9. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The (loss)/profit attributable to equity holders of the parent for the year ended 30 September 2008 includes a loss of approximately HK\$26,775,000 (2007: HK\$3,940,000) which has been dealt with in the financial statements of the Company (note 30).

## 10. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Proposed final dividends 0.5 cent (2007: 1 cent) per ordinary share	5,080	10,160

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

## 11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent of (HK\$95,162,000) (2007: HK\$13,578,000) and 1,016,001,301 (2007: 1,016,001,301) ordinary shares in issue during the year.

Diluted (loss)/earnings per share amounts for the years ended 30 September 2008 and 2007 have not been disclosed, as the share options outstanding during the years do not have dilutive effect on the basic (loss)/earnings per share for these years.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant, machinery and office equipment	Motor vehicles	Moulds	Furniture 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	197,884	64,987	297,847	19,489	–	1,295	67,184	648,686
Additions	–	–	9,308	–	13,696	–	8,682	31,686
Disposals and write-off	–	–	(46)	(10,133)	–	(262)	–	(10,441)
Revaluation	(7,831)	–	46,188	(6,795)	–	–	–	31,562
Transfer	33,986	3,956	–	–	–	–	(37,942)	–
Exchange realignment	14,843	8,164	39,690	1,550	–	7	6,816	71,070
<b>At 30 September 2008</b>	<b>238,882</b>	<b>77,107</b>	<b>392,987</b>	<b>4,111</b>	<b>13,696</b>	<b>1,040</b>	<b>44,740</b>	<b>772,563</b>
Accumulated depreciation:								
At beginning of year	46,659	37,175	125,496	16,617	–	1,027	–	226,974
Provided during the year	10,525	7,276	34,289	714	1,370	35	–	54,209
Revaluation	(4,661)	–	30,211	(7,796)	–	–	–	17,754
Disposals and write-off	–	–	(2)	(10,092)	–	(98)	–	(10,192)
Exchange realignment	4,252	4,495	14,311	557	–	5	–	23,620
<b>At 30 September 2008</b>	<b>56,775</b>	<b>48,946</b>	<b>204,305</b>	<b>–</b>	<b>1,370</b>	<b>969</b>	<b>–</b>	<b>312,365</b>
Net book value:								
<b>At 30 September 2008</b>	<b>182,107</b>	<b>28,161</b>	<b>188,682</b>	<b>4,111</b>	<b>12,326</b>	<b>71</b>	<b>44,740</b>	<b>460,198</b>
At 30 September 2007	151,225	27,812	172,351	2,872	–	268	67,184	421,712
An analysis of cost or valuation:								
At cost	–	77,107	–	–	13,696	1,040	44,740	136,583
At valuation:								
Open market value	11,460	–	–	4,111	–	–	–	15,571
Depreciated replacement cost	227,422	–	392,987	–	–	–	–	620,409
	238,882	77,107	392,987	4,111	13,696	1,040	44,740	772,563

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

### 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

The Group's buildings located in Hong Kong were revalued at 30 September 2008 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers on an open market value, existing use basis, at approximately HK\$11,460,000. The Group's buildings located elsewhere in the PRC were revalued at 30 September 2008 on a depreciated replacement cost basis, at approximately HK\$170,647,000. Net revaluation surplus/(deficit) of HK\$1,663,000 and (HK\$4,833,000) resulting from the revaluations have been credited to the income statement and debited to the revaluation reserve.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's plant, machinery and office equipment was revalued at 30 September 2008 on a depreciated replacement cost basis. Revaluation surpluses of HK\$15,977,000 resulting from the revaluations have been credited to the revaluation reserve.

The Group's motor vehicles were revalued at 30 September 2008 on an open market value, existing use basis, at approximately HK\$4,111,000. Revaluation surpluses of HK\$1,001,000 resulting from the revaluation have been credited to the revaluation reserve.

Had the Group's buildings, plant, machinery and office equipment, and motor vehicles been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$149,429,000 (2007: HK\$117,971,000), HK\$186,220,000 (2007: HK\$181,403,000) and HK\$3,172,000 (2007: HK\$3,655,000), respectively.

Certain buildings of the Group with a total carrying value of HK\$11,120,000 (2007: HK\$3,211,000) were pledged to secure banking facilities granted to the Group (note 25) as at 30 September 2008.

## 13. INVESTMENT PROPERTIES

	2008 HK\$'000	2007 HK\$'000
Carrying amount at the beginning of the year	39,270	30,841
Net gain from a fair value adjustment	2,056	5,950
Exchange realignment	3,754	2,479
Carrying amount at the end of the year	45,080	39,270

The investment properties with carrying amount of HK\$42,180,000 (2007: HK\$37,000,000) and HK\$2,900,000 (2007: 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 Mainland China were revalued on 30 September 2008 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers on an open market value, existing use basis, at approximately RMB37,000,000. Revaluation gain of HK\$1,426,000 (2007: HK\$6,140,000) has been credited to the income statement resulting from the revaluation. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 31(a) to the financial statements.

The Group's investment property located in Hong Kong was revalued on 30 September 2008 on an open market value at approximately HK\$2,900,000. Revaluation gain of HK\$630,000 (2007: deficit of HK\$190,000) has been credited to the income statement.

The investment property of the Group with a total carrying amount of HK\$2,900,000 (2007: HK\$2,270,000) was pledged to secure banking facilities granted to the Group (note 25) as at 30 September 2008.

At the balance sheet date, certificate of ownership in respect of the investment property in Mainland China with the fair value of HK\$42,180,000 (2007: HK\$37,000,000), had not been issued by the relevant authorities in Mainland China and are still in progress.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. PREPAID LAND LEASE PAYMENTS

	Group	
	2008 HK\$'000	2007 HK\$'000
Carrying amount at the beginning of the year	67,848	36,778
Additions	1,191	25,812
Recognised during the year	(1,356)	(933)
Exchange realignment	1,901	6,191
Carrying amount at the end of the year	69,584	67,848
Current portion included in prepayments, deposits and other receivables	(1,356)	(990)
Non-current portion	68,228	66,858

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Hong Kong, held under medium term leases	3,077	3,156
Mainland China, held under medium term land use rights	66,507	64,692
	69,584	67,848

Certain prepaid land lease payments of the Group with total carrying value of HK\$2,998,000 (2007: HK\$3,075,000) were pledged to secure banking facilities granted to the Group (note 25) as at 30 September 2008.

## 15. INTERESTS IN SUBSIDIARIES

	Company	
	2008 HK\$'000	2007 HK\$'000
Unlisted investment, at cost	118,577	118,577
Due from subsidiaries	397,447	433,803
Due to a subsidiary	(2)	(2)

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. INTERESTS IN SUBSIDIARIES (Continued)

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 their fair values. 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 reflected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group and Company	
	2008 HK\$'000	2007 HK\$'000
Share of net assets	14,386	15,336
Due from a jointly-controlled entity	27	6,090

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.

As at 30 September 2008 and 2007, the Group had interest in the following jointly-controlled entity:

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

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

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

	2008 HK\$'000	2007 HK\$'000
Current assets	22,657	30,709
Non-current assets	5,623	4,957
Current liabilities	13,894	20,330
Non-current liabilities	–	–
Income	24,454	39,699
Expenses	24,871	38,599

# NOTES TO THE FINANCIAL STATEMENTS

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

The balances represent aggregate deposits of HK\$3,455,000 (2007: HK\$3,137,000) paid in respect of the acquisition of land use rights of land located in the PRC and aggregate deposits of HK\$2,288,000 (2007: HK\$3,018,000) paid in respect of purchases of property, plant and equipment. The related capital commitments are set out in note 32.

## 18. INVENTORIES

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Raw materials	91,521	122,937
Work in progress	168,181	113,599
Finished goods	134,787	95,672
	<b>394,489</b>	<b>332,208</b>

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Carrying amount of inventories sold	1,059,129	1,010,967
Write-down of inventories	32,839	385
Reversal on write-down of inventories	–	(275)
	<b>1,091,968</b>	<b>1,011,077</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 19. TRADE RECEIVABLES

	Group	
	2008 HK\$'000	2007 HK\$'000
Trade receivables	294,225	293,133
Less: Allowance for doubtful debts	(68,951)	(59,121)
	<b>225,274</b>	<b>234,012</b>

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 trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Current to 3 months	197,217	186,765
4 to 6 months	16,818	22,766
7 to 12 months	8,477	18,515
Over 1 year	2,762	5,966
	<b>225,274</b>	<b>234,012</b>

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

	Group	
	2008 '000	2007 '000
China Yuan Renminbi	147,402	139,232
United States Dollars	6,145	10,818

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$126,961,000 (2007: HK\$142,638,000) which are past due at the reporting date for which the Group has not provided for impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 19. TRADE RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired.

	Group	
	2008 HK\$'000	2007 HK\$'000
Current to 3 months	98,904	95,391
4 to 6 months	16,818	22,766
7 to 12 months	8,477	18,515
Over 1 year	2,762	5,966
	<b>126,961</b>	<b>142,638</b>

Movement in the allowance for doubtful debts for trade receivables:

	Group	
	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	59,121	55,517
Impairment losses recognised on receivables	9,865	7,641
Amounts recovered during the year	(35)	–
Impairment losses reversed	–	(4,037)
Balance at end of the year	<b>68,951</b>	<b>59,121</b>

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2008 HK\$'000	2007 HK\$'000
Financial assets designated at fair value through profit or loss		
– Equity link notes	7,610	7,547

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

Major terms of the equity link notes are as follows:

Principal amount	Maturity
USD500,000	28-Nov-08
USD400,000	15-Dec-08
USD100,000	31-Oct-08
USD100,000	23-Nov-09

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

The equity link notes are measured at fair value at the balance sheet date. Their fair values are determined based on the valuation provided by the counterparty financial institutions at the balance sheet date. Accordingly, a fair value change on equity link notes of HK\$729,000 (2007: HK\$251,000) is recognised in the consolidated income statement for the year ended 30 September 2008.

## 21. 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	2008 HK\$'000	2007 HK\$'000	Maximum amount outstanding during the year HK\$'000
Scientek Enterprises (Hong Kong) Limited	–	6,311	6,311

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, interest-free and repayable on demand. The carrying amount of the balance approximates to its fair value.

Ms. Wong Choi Kam resigned as director of the Company on 27 May 2008.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 22. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash and bank balances	96,587	74,109	308	681
Time deposits	140,507	3,798	433	533
	<b>237,094</b>	77,907	<b>741</b>	1,214
Less: Pledged time deposits for loans facilities (note 25)	(140,074)	(3,265)	–	–
Cash and cash equivalents	<b>97,020</b>	74,642	<b>741</b>	1,214

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

	Group		Company	
	2008 '000	2007 '000	2008 '000	2007 '000
China Yuan Renminbi	164,954	40,274	–	–
United States Dollars	5,219	1,718	38	155

At the balance sheet date, the cash and bank balances of the Group are denominated in Renminbi (“RMB”) amounted to approximately HK\$188,048,000 (2007: HK\$41,684,000). 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 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 THE FINANCIAL STATEMENTS

30 September 2008

## 23. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade payables	145,649	87,827	–	–
Accrued liabilities and other payables	47,285	28,733	709	819
	<b>192,934</b>	<b>116,560</b>	<b>709</b>	<b>819</b>

The following is an aged analysis of trade payables at the balance sheet date:

	Group	
	2008 HK\$'000	2007 HK\$'000
Current to 3 months	127,671	79,333
4 to 6 months	7,567	5,849
7 to 12 months	2,653	606
Over 1 year	7,758	2,039
	<b>145,649</b>	<b>87,827</b>

The average credit period on purchases of is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Included in trade payables, accrued liabilities and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2008 '000	2007 '000
China Yuan Renminbi	121,957	34,574
United States Dollars	3,007	3,258
Japanese Yen	13,515	33,546

## 24. DUE TO A DIRECTOR

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

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 25. INTEREST-BEARING BANK BORROWINGS

Group	2008			2007		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Trust receipt loans						
– secured	7	2009	6,836	7	2008	7,655
Bank loans						
– secured	3.43 – 6.30	2009	143,762	5.97 – 6.26	2008	39,061
Bank loans						
– unsecured	6.69 – 7.47	2009	112,241	5.10 – 5.75	2008	85,905
			<b>262,839</b>			<b>132,621</b>

	Group	
	2008 HK\$'000	2007 HK\$'000
Carrying amount of bank loan repayable as follow:		
On demand or within one year	251,238	132,621
More than one year but not more than two years	5,047	–
More than two years but not more than five years	6,554	–
	<b>262,839</b>	<b>132,621</b>

Notes:

- (a) As at 30 September 2008, the Group's bank borrowings are secured by:
- (i) certain buildings of HK\$11,120,000 (2007: HK\$3,211,000) (note 12);
  - (ii) an investment property of HK\$2,900,000 (2007: HK\$2,270,000) (note 13);
  - (iii) certain prepaid land lease payments of HK\$2,998,000 (2007: HK\$3,075,000) (note 14); and
  - (iv) time deposits amounted to HK\$140,074,000 (2007: HK\$3,265,000) (note 22).
- (b) Except for the unsecured bank loan of HK\$95,760,000 (2007: HK\$85,905,000) and secured loan of HK\$120,618,000 (2007: HK\$Nil), all other borrowings bear interest at floating interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. INTEREST-BEARING BANK BORROWINGS (Continued)

- (c) Included in interest-bearing bank borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2008 '000	2007 '000
China Yuan Renminbi	84,000	83,000
United States Dollars	15,464	–
Japanese Yen	160,714	109,350

## 26. 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 investment properties, buildings, plant, machinery and office equipment and motor vehicles.

	Group	
	2008 HK\$'000	2007 HK\$'000
At beginning of year	6,428	5,843
Deferred tax charged to the revaluation reserve during the year (note 30)		
– Change in tax rate	773	–
– Charge for the year	1,579	–
Deferred tax charged to the income statement during the year (note 8)		
– Change in tax rate	790	–
– Charge for the year	257	–
Exchange realignment	745	585
At end of year	10,572	6,428

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. DEFERRED TAX (Continued)

### Deferred tax assets

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

	Group	
	2008 HK\$'000	2007 HK\$'000
At beginning of year	2,004	1,844
Deferred tax credited to the income statement during the year (note 8)	(2,207)	–
Exchange realignment	203	160
At end of year	–	2,004

The Group has tax losses arising in Hong Kong of HK\$38,396,000 (2007: HK\$31,400,000) as at 30 September 2008 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 from certain subsidiaries of the Group as they have been loss-making for some time.

At 30 September 2008 there is no significant unrecognised deferred tax liability (2007: HK\$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or its jointly-controlled entity as 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.

## 27. PROVISION FOR LONG SERVICE PAYMENT

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
At beginning of year	–	–	–	–
Addition during the year	788	–	279	–
At end of year	788	–	279	–

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 28. SHARE CAPITAL

	2008 HK\$'000	2007 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 THE FINANCIAL STATEMENTS

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## 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 2008, the Company had outstanding 8,550,000 share options which were all granted under the Old Option Scheme and the total number of shares issuable for options was 8,550,000. It represented approximately 0.8% 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 THE FINANCIAL STATEMENTS

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## 29. SHARE OPTION SCHEME (Continued)

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 2007	Lapsed during the year	Number of share options at 30 September 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's share at date of grant of options*** HK\$
<b>Directors</b>							
Ms. Wong Choi Kam <sup>#</sup>	6,000,000	(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	–	1,500,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Mr. Leung Chi Fai	1,050,000	–	1,050,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	8,550,000	(6,000,000)	2,550,000				
Other employees in aggregate	25,000,000	(19,000,000)	6,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	33,550,000	(25,000,000)	8,550,000				

\* 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.

# Resigned on 27 May 2008.

At the balance sheet date, the Company had 8,550,000 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 8,550,000 additional ordinary shares of the Company and additional share capital of HK\$855,000 and share premium of HK\$9,405,000 (before issue expenses).

# NOTES TO THE FINANCIAL STATEMENTS

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## 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	Proposed final dividends HK\$'000	Total HK\$'000
At 1 October 2006									
As previously reported	177,325	56,471	509	44,181	20,052	12,176	501,973	10,160	822,847
Exchange realignment on translation of the financial statements of foreign subsidiaries	-	-	-	-	67,956	-	-	-	67,956
Transfer to reserve fund	-	-	-	-	-	752	(752)	-	-
Profit for the year	-	-	-	-	-	-	13,578	-	13,578
Final 2006 dividends paid	-	-	-	-	-	-	-	(10,160)	(10,160)
Proposed final 2007 dividends	-	-	-	-	-	-	(10,160)	10,160	-
<b>At 30 September 2007</b>	<b>177,325</b>	<b>56,471</b>	<b>509</b>	<b>44,181</b>	<b>88,008</b>	<b>12,928</b>	<b>504,639</b>	<b>10,160</b>	<b>894,221</b>
At 1 October 2007									
As previously reported	177,325	56,471	509	44,181	88,008	12,928	504,639	10,160	894,221
Exchange realignment on translation of the financial statements of foreign subsidiaries	-	-	-	-	88,449	-	-	-	88,449
Transfer from retained profits	-	-	-	(1,485)	-	-	1,485	-	-
Surplus on revaluation of property, plant and equipment	-	-	-	12,145	-	-	-	-	12,145
Deferred tax	-	-	-	(2,352)	-	-	-	-	(2,352)
Loss for the year	-	-	-	-	-	-	(95,162)	-	(95,162)
Final 2007 dividends paid	-	-	-	-	-	-	-	(10,160)	(10,160)
Proposed final 2008 dividends	-	-	-	-	-	-	(5,080)	5,080	-
<b>At 30 September 2008</b>	<b>177,325</b>	<b>56,471</b>	<b>509</b>	<b>52,489</b>	<b>176,457</b>	<b>12,928</b>	<b>405,882</b>	<b>5,080</b>	<b>887,141</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. RESERVES (Continued)

### Company

	<b>Share premium account</b>	<b>Contributed surplus*</b>	<b>Capital redemption reserve</b>	<b>Retained profits</b>	<b>Proposed final dividends</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2006	177,325	118,377	509	166,449	10,160	472,820
Loss for the year	–	–	–	(3,940)	–	(3,940)
Final 2006 dividends paid	–	–	–	–	(10,160)	(10,160)
Proposed final 2007 dividends	–	–	–	(10,160)	10,160	–
At 30 September 2007 and at 1 October 2007	177,325	118,377	509	152,349	10,160	458,720
Loss for the year	–	–	–	(26,775)	–	(26,775)
Final 2007 dividends paid	–	–	–	–	(10,160)	(10,160)
Proposed final 2008 dividends	–	–	–	(5,080)	5,080	–
<b>At 30 September 2008</b>	<b>177,325</b>	<b>118,377</b>	<b>509</b>	<b>120,494</b>	<b>5,080</b>	<b>421,785</b>

\* 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 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 THE FINANCIAL STATEMENTS

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## 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 2008, the Group had the total minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Within one year	2,118	1,863
In the second to fifth year, inclusive	4,655	6,800
	<b>6,773</b>	<b>8,663</b>

### (b) As lessee

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

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Within one year	268	259
In the second to fifth year, inclusive	–	63
	<b>268</b>	<b>322</b>

## 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	
	2008 HK\$'000	2007 HK\$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	77,196	72,665

The Company did not have any other significant commitment as at the balance sheet date (2007: HK\$Nil).

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. CONTINGENT LIABILITIES

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

	Company	
	2008 HK\$'000	2007 HK\$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries	172,000	158,000

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\$43,311,000 (2007: HK\$26,385,000).

The Group did not have any other significant contingent liabilities as at the balance sheet date (2007: HK\$Nil).

## 34. EVENT AFTER BALANCE SHEET DATE

In October 2008, a subsidiary company had disposed of its investment property to a third party at a consideration of HK\$2,900,000.

## 35. 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\$1,058,000 (2007: HK\$2,496,000) for acquisition of property, plant and equipment were paid in prior years.

## 36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group sold finished goods of approximately HK\$7,413,000 (2007: HK\$8,991,000) to a company of which the spouse of Ms. Wong Choi Kam, a director of the Company, is a director and controlling shareholder.

Ms. Wong Choi Kam resigned as a director of the Company on 27 May 2008.

(b) Details of the Group's balance with its jointly-controlled entity as at the balance sheet date is disclosed in note 16 to the financial statements.

(c) The directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 7 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 37. CAPITAL RISK MANAGEMENT

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

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

The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio at 30 September 2008 and 2007 was as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Total liabilities (Note i)	503,467	289,805
Equity (Note ii)	988,741	995,821
Debt to equity ratio	50.9%	29.1%

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

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

## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2008 HK\$'000	2007 HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss		
– Designated as at FVTPL	7,610	7,547
Loans and receivables (including cash and cash equivalents)	500,861	399,621
<b>Financial liabilities</b>		
Amortised cost	458,150	249,181

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Foreign currency risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
China Yuan Renminbi	208,042	133,403	333,064	242,322
United States Dollars	18,471	5,854	12,341	13,504
Japanese Yen	174,229	142,896	27	8,374

#### Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB, USD and JPY.

The following table details the Group's sensitivity to a 5% increase in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Hong Kong dollars strengthen 5% against the relevant currency.

For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Impact of RMB		Impact of USD		Impact of JPY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit or loss	(7,126)	(5,637)	2,390	(2,984)	609	457

- (i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB not subject to cash flow hedge at year end.

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Interest rate risk management

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings from financial institutions (see note 25 for details of these borrowings).

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 25 for details of these borrowings).

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

#### Sensitivity analysis

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

If interest rates had been 100 and 50 basis points higher/lower in HIBOR and bank deposit rate respectively and all other variables were held constant, the Group's result for the year ended 30 September 2008 would increase/decrease in loss for the year by HK\$250,000 (2007: decrease/increase in profit for the year by HK\$300,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### (c) Other price risks

The Group is exposed to other price risk arising from listed investments classified as financial assets held at fair value through profit or loss.

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

	2008 HK\$'000	2007 HK\$'000
Decrease/(increase) in loss after tax		
Underlying stock price		
+ 30% (Subject to early redemption provision)	970	246
- 30%	(2,229)	(1,871)

# NOTES TO THE FINANCIAL STATEMENTS

30 September 2008

## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (d) Credit risk

As at 30 September 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 33.

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

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 19.

### (e) Liquidity risk management

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk management (Continued)

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

Group	2008					2007				
	Total contractual Carrying Amount	Total undiscounted cash flow	Within 1 year or on demand	More than	More than	Total contractual Carrying Amount	Total undiscounted cash flow	Within 1 year or on demand	More than	More than
				1 year but less than 2 years	2 years but less than 5 years				1 year but less than 2 years	2 years but less than 5 years
				HK\$'000	HK\$'000				HK\$'000	HK\$'000
Trade payables	145,649	(145,649)	(145,649)	-	-	87,827	(87,827)	(87,827)	-	-
Accrued liabilities and other payables	47,285	(47,285)	(47,285)	-	-	28,733	(28,733)	(28,733)	-	-
Due to a director	2,377	(2,377)	(2,377)	-	-	-	-	-	-	-
Interest-bearing bank borrowings	262,839	(269,865)	(257,801)	(5,362)	(6,702)	132,621	(137,822)	(137,822)	-	-
	458,150	(465,176)	(453,112)	(5,362)	(6,702)	249,181	(254,382)	(254,382)	-	-

Company	2008					2007				
	Total contractual Carrying Amount	Total undiscounted cash flow	Within 1 year or on demand	More than	More than	Total contractual Carrying Amount	Total undiscounted cash flow	Within 1 year or on demand	More than	More than
				1 year but less than 2 years	2 years but less than 5 years				1 year but less than 2 years	2 years but less than 5 years
				HK\$'000	HK\$'000				HK\$'000	HK\$'000
Accrued liabilities and other payables	709	(709)	(709)	-	-	819	(819)	(819)	-	-
Due to a subsidiary	2	(2)	(2)	-	-	2	(2)	(2)	-	-
	711	(711)	(711)	-	-	821	(821)	(821)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

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## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (f) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

## 39. COMPARATIVE FIGURES

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

## 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 January 2009.