萬裕國際集團有限公司

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Stock Code: 0894)

ANNUAL REPORT 2009

COMPANY PROFILE

The Man Yue Group of Companies (the "Group") was founded in 1979 and listed on the Hong Kong Stock Exchange in 1997. The Group's core business is the manufacture and sale of aluminum electrolytic capacitors ("E-Caps") and Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps").

The Group offers a full range of E-Cap products, ranging from miniature to large can E-Caps, which satisfy the needs of its global customers, consisting mainly of the world's leading information technology, telecommunications, electrical and electronic brands. Since 2006, the Group launched an innovative type of E-Caps known as Polymer Caps, duly becoming one of the most influential providers of such capacitors.

As an innovative multiple components manufacturers, the Group launched a brand new type of capacitor in 2009, known as Electric Double Layer Capacitors ("EDLC"), which basically acts as an energy storage device in electrical or electronic products. Over the years, the Group has fostered creativity and inventiveness among some 100 well-trained and highly qualified research and development ("R&D") professionals who have gone on to help the Group develop new and ground-breaking products.

As part of being the fifth largest E-Caps manufacturer in the world, the Group owns the renowned SAMXON and X-CON brands, both of which are well-known for their advanced technology, superior quality, strong R&D capabilities, and established global network. The Group also provides Electronic Manufacturing Services ("EMS") to some of the most respected E-Caps brands. All of the Group's products comply with RoHS and environmental protection regulations specific to different global markets.

The Man Yue Group is headquartered in Hong Kong and operates state-of-the-art E-Caps manufacturing facilities in Dongguan, Wuxi and Jiangxi, PRC, with total production capacity of over 900 million pieces per month. The Group also owns two aluminum foil factories located in Qingyuan and Urumqi, PRC, which produces aluminum foil for its own consumption. The Group has distribution offices located in Hong Kong, Mainland China, Taiwan, Malaysia and the United States, complemented by worldwide distribution channels.

An active participant in environmental protection

The Man Yue Group of Companies (the "Group") is fully committed to environmental sustainability. Accordingly, all of its products are halogen free and RoHS compliant. As well, all production facilities of the Group conform to local environmental regulations, having obtained relevant certifications where appropriate. Rather than passively observing regulations, the Group is actively pursuing opportunities to directly contribute to environmental protection. The Group has developed and continues to develop solutions for enhancing energy efficiency, such as capacitors found in LED lamps and high-efficiency lighting and new storage devices for use in environmentally-friendly products. The Group will remain steadfast in its support of environmental protection as it is all part of being a good corporate citizen.

This report is printed on environmentally friendly paper

CONTENTS

WE LISTEN SOLAR POWER MANAGEMENT POLYMER ENVIRONMENT WE WORLD ECOLOGY

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Kee Chor Lin *(Chairman)*
Chan Yu Ching, Eugene *(Managing Director)*
Ko Pak On
Tso Yan Wing, Alan

Independent Non-executive Directors
Li Sau Hung, Eddy
Lo Kwok Kwei, David
Mar, Selwyn

AUDIT COMMITTEE
Mar, Selwyn *(Chairman)*
Li Sau Hung, Eddy
Lo Kwok Kwei, David

REMUNERATION COMMITTEE
Lo Kwok Kwei, David *(Chairman)*
Kee Chor Lin
Li Sau Hung, Eddy

COMPANY SECRETARY
Tso Yan Wing, Alan

AUDITOR
PricewaterhouseCoopers, Certified Public Accountants

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
CITIC Ka Wah Bank Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS
16/F., Yiko Industrial Building
10 Ka Yip Street, Chai Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

CORPORATE WEBSITE
http://www.manyue.com

INVESTOR RELATIONS CONTACT
E-mail: ir@manyue.com

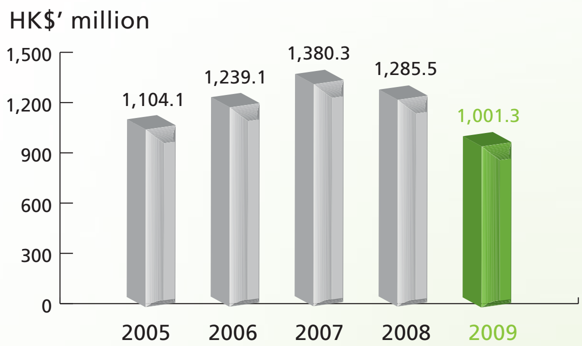
STOCK CODE
0894

Financial Highlights

For the year ended 31 December	2009	2008	% changes increase/ (decrease)
Operating Results	**HK$'000**	HK$'000	%
Revenue	**1,001,258**	1,285,535	(22.11)
Gross profit	**227,553**	246,048	(7.52)
EBITDA	**187,897**	211,825	(11.30)
Net profit	**78,206**	90,197	(13.29)
Per Share Data	**HK cents**	HK cents	%
Earnings per share-basic	**16.44**	18.87	(12.88)
Total dividend per share (proposed)	**2.5**	3.5	(28.57)
Net assets per share	**217.03**	200.85	8.06
Financial Position	**HK$'000**	HK$'000	%
Total assets	**1,862,419**	2,077,490	(10.35)
Net assets	**1,038,270**	960,250	8.12
Financial Ratios	**%**	%	%
Gross profit to Revenue	**22.7**	19.1	18.85
EBITDA to Revenue	**18.8**	16.5	13.9
Net profit to Revenue	**7.8**	7.0	11.43
Return on Equity	**7.6**	9.5	(20.00)
Net debt to Equity	**16.3**	38.7	(57.88)

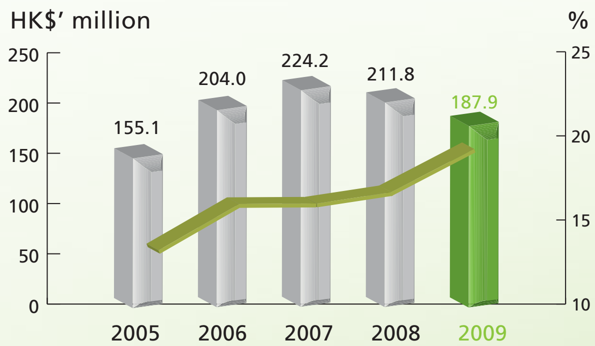
REVENUE

For the year ended 31 December



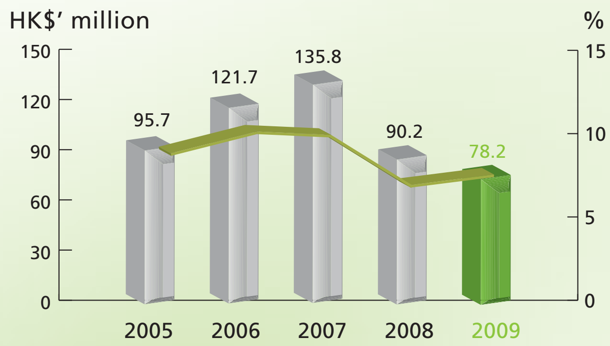
EBITDA & EBITDA MARGIN

For the year ended 31 December



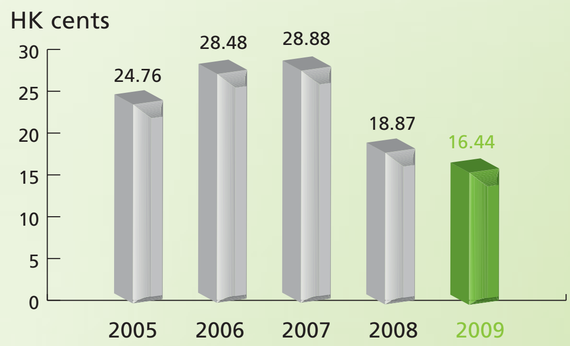
NET PROFIT & NET MARGIN

For the year ended 31 December



EARNINGS PER SHARE — BASIC

For the year ended 31 December



Chairman's Statement

Ms. Kee Chor Lin
Chairman

OVERVIEW

The financial year ended 31 December 2009 (the "Year") marked a year of rapid change. The impact of the global economic turmoil which started in late 2008 continued its impact in early 2009. Similar to many global corporations, the Group's revenue declined. Despite a drop in revenue, the Group improved its gross profit, earnings before interest, tax, depreciation and amortisation ("EBITDA") and net profit margins during the year. Net borrowing to shareholders' equity improved significantly. In summary, the Group consolidated its business volume in 2009 but has been able to deliver a higher quality earning and improved liquidity position. We have also taken this opportunity to set far reaching expansion plans for 2010 and future years.

BUSINESS OVERVIEW

After a decline in the size of the global E-Caps market in early 2009, the Group observed a steady recovery of market demand since the second quarter of 2009 due to the clearance of electronic component inventories in the channels and the growth in demand coming from the PRC domestic market. Sales to overseas markets reduced, but there was a marked increase in the sales to the domestic PRC market. This is attributable to the Group's ongoing efforts to develop the first tier electronic market and the acquisition of a renowned PRC capacitor brand during 2008.

In 2009, the Group has doubled its production capacity of Polymer Caps to meet stepped-up demands while developing a next-generation Polymer Caps for circuitry applications. The new product is scheduled to launch in 2010.

The initial launch of EDLCs in 2009 was considered successful and these products are currently being tested and evaluated by large customers.

The Group has increased its production of aluminum foils, a critical material in short supply, to keep pace with the volume of demand for E-Caps. Currently, the Group is able to produce internally more than 50% of the aluminum foils needed for consumption in its E-Caps.

OUTLOOK AND PROSPECTS

Looking ahead, the Group is expected to resume higher revenue growth in 2010, primarily driven by the overwhelming market demand to compensate for a labour induced shortfall in supply and the introduction of new products targeting wider application segments. In large part, this increase would be spurred by the fast growing PRC consumer electronics industry. Although the outlook of the European and American consumer markets remained uncertain due to a lack of consumer confidence and uncertain employment prospects, the growth in the emerging markets is noticeable.

The revenue growth for Polymer Caps is expected to remain strong and deliver higher profit margins. Scheduled for launch in 2010, the second generation Polymer Caps, together with the newly launched EDLCs, are expected to drive further revenue growth and business expansion in the year 2011 and beyond.

In order to expand production volume to meet rising customers' demands, the Group has embarked on several initiatives in the recruitment, training and retention of workers. To date, the Group has succeeded in retaining the required number of factory workers to produce the increase in order volume. Capital expenditure of HK$120 million mainly for purchase of production machinery for new product lines will be financed by internal operating cash flows and long term banking facilities. The Company has adequate financial resources to deal with its future expansion plans.

The Group will continue to implement cost rationalisation programmes, such as optimisation of product mix by focusing more on new and higher margin products. As a result, the Group expects that profit margin will remain relatively stable in 2010.

A key part of the Group's strategy has been to accelerate the development of industry-leading capacitor technology. With our strategic transformation from a single capacitor manufacturer to a multiple brand vendor, a developer and manufacturer of a diverse range of leading-edge components in the global market, the Group is expected to enjoy further revenue and profit growth in future years.

APPRECIATION

I would like to take this opportunity to express my sincere thanks to the shareholders, business partners and bankers for their continuing support to the Group. I would also extend my appreciations to my fellow directors, senior management and staff for their dedication and commitment to managing various business segments of the Group.

Kee Chor Lin
Chairman
29 March 2010

Management Discussion And Analysis

RESULTS HIGHLIGHTS

- **Revenue of HK$1,001,258,000 (2008: HK$1,285,535,000)**
- **Gross profit of HK$227,553,000 (2008: HK$246,048,000), representing a gross margin of 22.7% (2008: 19.1%)**
- **EBITDA of HK$187,897,000 (2008: HK$211,825,000), representing an EBITDA margin of 18.8% (2008: 16.5%)**
- **Operating profit of HK$82,032,000 (2008: HK$109,178,000)**
- **Profit for the year of HK$78,206,000 (2008: HK$90,197,000), representing a net margin of 7.8% (2008: 7.0%)**
- **Net gearing ratio improved to 16.3% (2008: 38.7%)**
- **Proposed final dividend of HK2.0 cents per share, making an annual proposed dividend of HK2.5 cents per share**
- **Net asset value of HK$2.17 per share (2008: HK$2.01 per share)**

FINANCIAL REVIEW

Revenue for the financial year ended 31 December 2009 was HK$1,001,258,000, representing a decline of 22.1% from the previous financial year which is in line with other global corporations in the same line of industries. During the first half of the Year, the decline in revenue was the result of the impact of the global economic turmoil that erupted in late 2008. During this critical period, the Group consolidated its business by reducing credit risk exposures to customers with deteriorating credit standings. The Group also enhanced its overall profit margins by turning down some orders for lower margin items. During the second half of the Year, business orders recovered quite rapidly aided in some measures by the strong economic growth in Mainland China. During the second half of the Year, the issue of labour shortages in Mainland China intensified which hampered the Group from producing sufficient output quantities to meet customers' demands.

The Group reported a gross profit of HK$227,553,000, representing a gross margin of 22.7% (2008: 19.1%). This improvement in gross margin was mainly attributable to a more optimal product mix and ongoing reductions in manufacturing overhead.

EBITDA stood at HK$187,897,000, representing an EBITDA margin of 18.8% (2008: 16.5%). Profit for the Year stood at HK$78,206,000, representing a net profit margin of 7.8% (2008: 7.0%). Basic earnings per share for the Year was HK16.44 cents (2008: 18.87 cents).

The Board of Directors has proposed a final dividend of HK2.0 cents per share. Together with the interim dividend of HK0.5 cent already declared and paid, total dividends for the Year amounted to HK2.5 cents per share, representing a pay-out ratio of 15.3% (2008: 18.6%).

Front view of the Group's E-Caps manufacturing facility located in Changan, Dongguan, PRC

BUSINESS REVIEW

Electronic Components

The size of the global aluminium electrolytic capacitors ("E-Caps") market suffered a decline in early 2009 mainly as a result of the global economic turmoil. However, we saw a steady recovery of market demand since the second quarter of 2009 due to the clearance of electronic component inventories in the channels and the growth in demand coming from the PRC domestic market. The Group's sales of E-Cap products followed this trend, slowing down during the first quarter and rebounding gradually starting in the second quarter. The Group's sales to overseas markets were reduced but, as China's economy commenced recovery earlier and at a faster rate, there was an increase in the sales to the domestic PRC market.

Most of the Group's SAMXON branded E-Caps are selling well, particularly our higher end products such as Pen Capacitors (for LCD & LED televisions), Ballast products (for energy saving lamps and LED lamps), Screw Terminal products for industrial usage and more. During the year, the Group also expanded its sales to the domestic PRC market mainly by the Group's continuing efforts to develop the first tier PRC market and by the acquisition of a famous PRC capacitor brand in 2008.

Since 2006, the Group became one of only a few suppliers of Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps") in the global market. Several new Polymer Caps series have been launched and, thanks to our wide product range, the Group is now an important global supplier of Polymer Caps. During 2009, we have doubled our production capacity of this product to meet stepped-up customer demands.

Aluminum foil is one of the most important raw materials in the production of E-Caps. To ensure sufficiency in the supply and to achieve a better profit margin, the Group has been manufacturing aluminum foils from its Qingyuan plant since 2006, and its Urumqi plant since 2008. During the Year, the supply of aluminum foils remained very tight and the Group has increased its production to keep pace with the volume of demand for E-Caps. Currently the Group is able to produce internally more than 50% of the aluminum foils needed for consumption in its E-Caps.

Research and Development

Over the years, the Group has nurtured and trained more than 100 highly qualified in-house research and development ("R&D") professionals who have made major contributions to an ever-increasing number of new product launches. The Group has also established state-of-the-art R&D facilities in all its factories.

As one of the most innovative multiple components manufacturers in the world, the Group has been accelerating the development of industry-leading technology. The initial launch of electric double-layer capacitors ("EDLCs") in 2009 was considered successful and these products are being tested and evaluated by large customers.

The Group is also seriously engaged in developing the next-generation Polymer Caps for electronic circuitry applications for which the current supplying source has a de facto monopoly. The Group believes this product segment possesses significant market growth potential and this new product is scheduled for initial release to customers for testing and evaluation in 2010.

Apart from the Polymer Caps, EDLCs and the next generation Polymer Caps mentioned above, the Group's R&D team is also fully engaged in a number of other component development platforms. For instance, research is well under way for a promising storage device component to be applied in the rapidly expanding renewable energy and environmental product segments.

Since 2004, the Group has benefited from a close cooperative relationship with the Research Institute of Tsinghua University in Shenzhen ("Shenzhen Tsinghua"). Over the years, Shenzhen Tsinghua provided technical guidance and assistance to the Group which enabled the Group to stay abreast of the latest technology research and development and maintain a strong competitive position. In June 2009, the Group extended this relationship with Shenzhen Tsinghua for a second five-year term, further enabling the Group to remain as one of the technology leaders in the global E-caps segment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's net borrowings in respect of bank loans and finance leases amounted to HK$532,931,000 (31 December 2008: HK$775,283,000). Of this amount, HK$296,755,000 was included in current liabilities. This amount can be further divided into current portion of long term bank loans of HK$208,574,000; trade finance facilities of HK$45,404,000; and revolving credits of HK$42,777,000. Included in non-current liabilities were bank loan facilities that is repayable between one to two years of HK$168,776,000 and repayable between two to five years of HK$67,400,000.

After deducting cash and cash equivalents of HK$364,427,000 (31 December 2008: HK$406,466,000), the Group's net borrowing position as at 31 December 2009 was HK$168,504,000 (31 December 2008: HK$368,817,000). Shareholders' equity as at 31 December 2009 was HK$1,034,027,000 (31 December 2008: HK$954,127,000) and the Group's net borrowing to shareholders' equity ratio improved to 16.3% (31 December 2008: 38.7%).

During the year, the Group generated net cash inflow from operating activities of HK$238,355,000. This figure represented profit before tax of HK$83,945,000, plus adjustments for non-cash items such as depreciation and amortisation of HK$91,604,000 and net decrease in working capital of HK$81,030,000 and minus other adjustments of HK$18,224,000.

The cash inflow from investing activities for the year was HK$52,458,000 which included: disposal of an investment property in Hong Kong in early 2009 of HK$30,000,000 (which carried at market valuation of HK$29,500,000 at 31 December 2008); maturity of a long term bank deposit of HK$77,499,000; minus purchases and prepayment for property, plant and equipment of HK$31,457,000 and $11,040,000 respectively and advances to jointly-controlled entities of HK$15,380,000; and other items of HK$2,836,000.

The Group's financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yen. As Hong Kong dollar remains pegged to United States dollar, there is no material exchange risk in this respect. To manage the appreciation of Renminbi, the Group has successfully increased its revenue in Mainland China in order to naturally hedge Renminbi receipts and Renminbi payments.

The Group continues to monitor its foreign exchange exposure in Japanese yen and Renminbi mainly by entering into forward contracts. Interest rate exposures were hedged by entering into long term interest rate swap contracts. Most of the Group's long-term bank loan facilities are denominated in Hong Kong dollars and carry interests at floating rates. Credit risk was hedged mainly through credit insurance policies.

EMPLOYMENT AND REMUNERATION POLICY

In early 2009, many factory workers did not return to the industrialised cities and their work after their annual visit to their homes during the Spring Festival, leading to a sharp decline in the total work force in Dongguan, Shenzhen, Wuxi, and other industrialised cities. During the second quarter of 2009, the Group quickly implemented recruiting activities within different provinces in China, but was unable to recruit enough workers. Starting in early 2010, the Group has successfully recruited enough workers in the factories and will gear up its production volume to meet customers' stepped-up demands.

At 31 December 2009, the Group employed 75 employees in Hong Kong (31 December 2008: 76) and employed a total work force of 3,375 (31 December 2008: 3,240) inclusive of its staff in China and overseas offices. As at the date of this report, the total number of employees increased to 4,998.

Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

Samxon was accredited "Top 10 Brand Names in Electronic Component Industry of China" in 2009

X-Con was awarded as "Advanced and High Technology Products in 2009" by the Science and Technology Bureau in the Guangdong Province

Samxon was awarded as an "Important Export Brand" by the External Commerce and Economic Bureau of the Guangdong Province

Samxon & X-Con was awarded "Excellent Brands in China" by the Science and Technology Bureau's Quality Improvement Committee

Directors' and Senior Management's Biographies

Board of Directors

Front row (left to right): Mr. Chan Yu Ching, Eugene, Ms. Kee Chor Lin and Mr. Mar, Selwyn

Back row (left to right): Mr. Ko Pak On, Mr. Tso Yan Wing, Alan, Dr. Li Sau Hung, Eddy and Mr. Lo Kwok Kwei, David

EXECUTIVE DIRECTORS

Ms. Kee Chor Lin (Mrs. Chan), aged 61, is the co-founder of the Group. She was appointed as the Chairman and an Executive Director of the Company on 10 October 2008. Mrs. Chan is the leader of the Group for corporate development, overall planning, strategies and policies making. Mrs. Chan is at present a director of several major operating subsidiaries of the Group and also a member of the Remuneration Committee of the Company. Mrs. Chan is one of the well-known industrialists in Hong Kong and possesses over thirty-one years of experience in the business of electronic components. She is the mother of Mr. Chan Yu Ching, Eugene, the Managing Director and an Executive Director of the Group and Ms. Chan Lok Yan, Lorraine, a member of the Senior Management of the Group.

Chan Yu Ching, Eugene, aged 34, joined the Group in 1998 and was appointed as an Executive Director on 18 December 2007 and as Managing Director of the Group on 10 October 2008. Mr. Chan is responsible for overseeing the business development, policies making and implementation of the Group. He is also a director of several major operating subsidiaries of the Group. He holds a Bachelor degree in Applied Science (majored in Electronic Engineering) from the University of British Columbia in Canada. Mr. Chan has over twelve years' of experience in the industry of electronic components. He received the Young Industrialist Awards of Hong Kong in 2008.

Ko Pak On, aged 63, is the Company's Executive Director. Mr. Ko joined the Group in 1984 and is mainly responsible for overseeing the Group's manufacturing operations in the Mainland China. He is at present a director of several major operating subsidiaries of the Group. Mr. Ko possesses over thirty-one years of experience in the industry of electronic components.

Tso Yan Wing, Alan, aged 51, is an Executive Director, Chief Financial Officer and Company Secretary of the Group. He joined the Group in December 2004. Apart from his Executive Director's role, Mr. Tso is also responsible for overseeing the Group's financial planning, control and management, regulatory compliance and investor relationship functions. Prior to joining the Group, Mr. Tso had held various senior management positions, including Chief Financial Officer, Chief Operating Officer and Director of Corporate Communications in various well-known international companies. He had also worked in one of the world's largest international accounting practices for ten years. Mr. Tso has over twenty eight years' of professional accountancy, financial and executive management experiences. He holds a Master degree in Business Administration from the University of Ottawa and is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Certified General Accountants in Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Li Sau Hung, Eddy, aged 55, has over twenty-three years of experience in the manufacturing industry. He is a member of the National Committee of Chinese People's Political Consultative Conference and the president of Hong Kong Economic & Trade Association Ltd. He holds a Ph.D. degree in Economics and a Master degree in Business Administration. Dr. Li was awarded The Ten Outstanding Young Persons in 1991 and the Young Industrialists of Hong Kong in 1993. He is currently an Independent Non-executive Director of Oriental Watch Holdings Limited and Midas International Holdings Limited (all of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited). Dr. Li is also a member of the Audit Committee and Remuneration Committee of the Company respectively.

Lo Kwok Kwei, David, aged 51, holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. Mr. Lo has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over twenty-one years and is a partner in a law firm in Hong Kong. Mr. Lo is also a member of the Company's Audit Committee. Mr. Lo is currently a Non-executive Director of eSun Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mar, Selwyn, aged 74, graduated from the London School of Economics, University of London, is a fellow member of the Institute of Chartered Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Mar has been active in commercial and industrial undertakings over the past thirty years. At present, he is a partner of Nexia Charles Mar Fan & Co., an Independent Non-executive Director and Chairman of the Audit Committee of Standard Bank Asia Limited, an Independent Non-executive Director of China Everbright International Limited and Minmetals Land Limited and chairman of the Audit Committee of Minmetals Land Limited. In respect of public services, he was the President of the Hong Kong Institute of Certified Public Accountants (formerly known as the "Hong Kong Society of Accountants") in 1991, a member of the Appeals Panel of the Securities and Futures Commission and a member of Board of Governors of the Chinese International School. He is at present an Honorary Fellow of the Lingnan University and was appointed member of the Court of Lingnan University by the Chief Executive of the Hong Kong Special Administrative Region. He is also the chairman of the Audit Committee of the Company.

Directors' and Senior Management's Biographies

SENIOR MANAGEMENT

Chan Lok Yan, Lorraine, aged 32, is the Director of Business Control of the Group. Ms. Chan joined the Group in 2001 and is actively involving in the setting of the Group's business strategies, reengineering the Group's business processes and the establishment of business control systems. She has extensive experience in marketing, business operations and information systems management. Ms. Chan holds a BA degree from the University of Toronto, Canada.

Wong Ching Ming, Stanley, aged 52, is the Director of Business Development of the Group. Mr. Wong joined the Group in 2003. He is primarily responsible for managing the Group's global sales and marketing strategies and operations. Mr. Wong has over twenty years of experience in sales and marketing field and has held senior management positions in an internationally well known information technology company. Mr. Wong holds an MSc degree and a BSc (Aeronautical Engineering) degree from the University of London's Imperial College of Science and Technology in the United Kingdom.

Lui Man Lung, Johnny, aged 39, is an Assistant Business Development Director of the Group. Mr. Lui joined the Group in 1996 and is mainly responsible for the development of the Group's business in the Greater China and Taiwan region. He has over 15 years of experience in the sales and marketing fields. He holds a bachelor degree of Business Administration from the Lingnan University, Hong Kong.

Wan Wah, Winner, aged 40, is an Assistant Business Development Director of the Group. Ms. Wan joined the Group in 1994 and is mainly responsible for the development of the Group's business in Japan and South East Asia region. She has over 16 years of experience in the sales and marketing fields and has successfully led sales teams in the development of new and potential markets for the Group. She holds a Master degree of Business Administration from the University of Sydney, Australia.

Huang Jian, aged 37, is an Operation Manager of the Group's Dongguan manufacturing facility. Mr. Huang joined the Group in 1997. He has over ten years of experience in operation management. He graduated from the Chongqing Normal University.

Pan Su Qing, aged 48, is the Vice Chief Engineer of the Group's Dongguan manufacturing facility. Ms. Pan joined the Group in 1996. She is responsible for product development, product design, technical support and product cost management of the Group. Prior to joining the Group, she worked in the research & development department of a well known state-owned National 1432 Factory and engaged in the development of new aluminum electrolytic capacitor products for commercial customers and military uses. She graduated from the Nan Chang Radio Technological School, majored in electronics component and material in 1983.

Li Shen Guang, aged 44, is a Quality Assurance Manager of the Group's Dongguan manufacturing facility. Mr. Li joined the Group in 2003. He has over twenty years of experience in the management of electronic components. He has over sixteen years of experience in quality management, technology, research & development of aluminum electrolytic capacitors. He holds a Bachelor degree in the Electronic Engineering from the Tianjin University.

Peng Shu Hong, aged 35, is the Operation Manager of the Group's Qingyuan aluminum foil manufacturing facility. Mr. Peng joined the Group in June 1997 with the responsibility of managing the production, planning and logistics operations. He has about eleven years of experience in operation management and logistics field. He graduated from the Chongqing Normal University.

Liao Guang Hui, aged 36, is the Operation Manager of the Group's Wuxi manufacturing facility. Mr. Liao joined the Group in 1996. He has over eleven years of experience in operation management. He graduated from the Sichuan Normal University (also known as Chongqing Information Technology Engineering College).

Corporate Governance Report

The board of directors (the "Board" or "Directors") and management are committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Company emphasize on an effective Board for leadership and control, sound business ethics and integrity in all business activities, transparency and accountability to shareholders.

The Company adopted the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the rules governing the listing of securities on The Stock Exchange of Hong Kong (the "Listing Rules") as its own code of corporate governance practices with the exception of the following deviation:

Under the code provision A.4.1., Non-executive Directors and Independent Non-executive Directors ("INEDs") should be appointed for a specific term. Currently, the INEDs are subject to retirement by rotation at the annual general meeting under Bye-law 87 of the Company's Bye-laws.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that corporate governance practices of the Company were in line with the Code Provisions during the year ended 31 December 2009 ("Year").

THE BOARD

The Board currently comprises four Executive Directors and three INEDs. The number of INEDs represents more than one third of the Board. The biographical details and relationship among the members of the Board are disclosed under the section headed "Directors and Senior Management's Biographies" on pages 10 to 12 of the annual report. They are also identified in various corporate communications and in all announcements during the Year.

The Composition of the Board

The Directors believe that the current composition reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and the effective leadership. The INEDs of the Group are experts in various business sectors. The Directors are of the opinion that the present structure can ensure independence and objectivity and provide checks and balances to safeguard the interests of the shareholders and the Company.

The Chairman and the Managing Director

The Board believes that the clear division of responsibilities between the Chairman and the Managing Director is crucial to the effective running of the Board and the development of the Group. The current positions of the Chairman and the Managing Director of the Company are held by two different executive Directors namely, Ms. Kee Chor Lin (or Mrs. Chan) and Mr. Chan Yu Ching, Eugene respectively. Their roles and duties are separate. Ms. Kee Chor Lin, the Chairman, is to lead the Board to form strategic plans whilst Mr. Chan Yu Ching, Eugene, holding the role of Managing Director, is to implement the policies and answerable to the Board for the operations of the Company. Mrs. Chan is the mother of Mr. Chan Yu Ching, Eugene.

The Board Meetings

The full Board of Directors met four times whilst four Audit Committee meetings and one Remuneration Committee meeting were held during the Year. The meetings held were physically attended by Directors and with a 100% attendance rate.

Individual attendance record of the relevant Director is as follows:

Directors	Number of Meetings attended/held Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting
Executive Directors:			
Ms. Kee Chor Lin (Note 1)	4/4	4/4	1/1
Mr. Chan Yu Ching, Eugene (Note 1)	4/4	4/4	1/1
Mr. Ko Pak On	4/4	n/a	n/a
Mr. Tso Yan Wing, Alan (Note 2)	4/4	4/4	1/1
Independent Non-executive Directors:			
Dr. Li Sau Hung, Eddy	4/4	4/4	1/1
Mr. Lo Kwok Kwei, David	4/4	4/4	1/1
Mr. Mar Selwyn	4/4	4/4	n/a
Average attendance rate	100%	100%	100%

Note (1): Ms. Kee Chor Lin and Mr. Chan Yu Ching, Eugene attended all Audit Committee meetings as management representatives.

Note (2): Mr. Tso Yan Wing, Alan attended the Audit Committee and Remuneration Committee meetings as secretary to the respective committees.

Proceedings of Meetings

The Chairman is responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors and the Company Secretary.

Prior notice of each Board meeting was given to all Directors at least 14 days in advance of the Board meeting and the Directors were invited to include matters for discussion in the agenda. Agenda and accompanying board papers were sent in full to all Directors at least three days in advance or within reasonable time prior to the meetings.

The minutes of the Board meeting were recorded in sufficient details of the matters considered by the Board. The minutes of all Board meetings and all other committee meetings are kept by the Company Secretary and are available for inspection by any Director, auditors or any relevant eligible parties who are entitled to have access to such information.

The Directors were reminded to declare any conflicts in interest in Board meetings and to abstain from voting and be excluded from counting as quorum in that meeting whenever there are potential or actual conflicts in interest arising.

The Appointment, Re-election and Removal of Directors

The Bye-laws of the Company have provisions for the appointment, re-election and removal of Directors.

Appointment of Director

Subject to the Bye-law 86(1) of the Company, the Directors shall be elected or appointed in the first place at the statutory meeting of members and thereafter at the annual general meeting. However, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the Members in general meeting, as an addition to the existing Board subject to Bye-law 86(2).

Re-election of Director

Bye-law 86(2) also provides that any Directors so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Pursuant to the Bye-law 87, one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting.

Removal of Director

Under the Bye-law 86 (4), the members may, at any general meeting and by an ordinary resolution remove a Director (including a managing director or other executive director) at any time before the expiration of his (her) period of office provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.

THE RESPONSIBILITIES OF DIRECTORS

The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Chairman leads the Board to formulate corporate mission, visions and policies of the Group and to ensure that all Directors are properly briefed on issues.

All executive Directors are involved heavily in their roles as an executive Director and attend to the affairs of the Company, whilst all INEDs have been participating in Board Meeting and have brought independent views and judgments on various issues. Two of the INEDs serve on both Audit and Remuneration Committees whilst the other one serves only on the Audit Committee to provide independent judgments on issues.

Each of the INEDs has been appointed with formal letters of appointment setting out the key terms and conditions of their appointment. Prior to their respective appointment, each of the INEDs has submitted a written confirmation to the Company and the Stock Exchange confirming their independence and has undertaken to inform the Company and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

The Company reviews annually and obtains confirmation of independence from each of the INEDs during their terms of appointment. On 29 March 2010, the Company has received from each of the INEDs a written confirmation of his independence during the Year by reference to the Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that the INEDs are independent.

Directors' Securities Transactions

The Company has adopted a code of conduct governing securities transactions by Directors on terms as set out in Appendix 10 of the Listing Rules ("Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Year.

Directors and Officers' Indemnity

The Company continues to subscribe into an insurance policy to indemnifying Directors and senior executives from any losses, claims, damages, liabilities and expenses, including without limitation, any proceedings brought against the executive, arising from the performance of his/her duties pursuant to his/her appointment under his/her respective service agreements entered into with the Company. The current policy has been renewed and shall under constant review.

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties, certain responsibilities are delegated to the senior management team of the Company, who are delegated with the responsibilities to deal with daily operational functions, and are answerable to the Board.

During the Year, each executive Director had frequent meetings with managers in order to maintain an effective feedback system and enable the Company to react to changes or problems quickly and efficiently. The Board shall review its arrangement on delegation of responsibilities and authority regularly to ensure that such delegations are appropriate in view of the Company's prevailing circumstances and that appropriate reporting system are in place.

Each Director is free to seek advice from and has access to the Company's management team independently.

BOARD COMMITTEES

Audit Committee

At present, the Audit Committee consists of three INEDs namely:

Mr. Mar, Selwyn *(Chairman)*
Dr. Li Sau Hung, Eddy
Mr. Lo Kwok Kwei, David

The Board considers that each Audit Committee member has broad commercial experience and is a suitable mix of expertise in various business, financial and legal sectors and that the composition and establishment of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has the responsibilities and powers set forth in the terms of reference of the Audit Committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

The terms of reference of the Audit Committee are available for inspection by the shareholders of the Company upon request made to the Company Secretary.

During the Year, the Audit Committee met four times. The attendance of individual Directors at the committee meetings is set out on page 14 of this annual report.

The following is a summary of work performed by the Audit Committee during the Review Period and up to the date of this report:

1. *Review of the financial reporting for the interim period ended 30 June 2009 and for the year ended 31 December 2009*
   The Audit Committee reviewed the Group's unaudited consolidated financial statements for the interim period ended 30 June 2009 and the audited consolidated financial statements for the year ended 31 December 2009. The Audit Committee is of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

2. *Review of and recommendations to the Board the appointment of PricewaterhouseCoopers as the External Auditor of the Company*
The Audit Committee reviewed and considered the appointment of PricewaterhouseCoopers as the External Auditor of the Company subsequent to the resignation of Ernst & Young as External Auditor of the Company effective from 14 July 2009. The Audit Committee had also reviewed the remuneration paid to Messrs. Ernst & Young for services provided during their term of their engagement as well as the remuneration payable to PricewaterhouseCoopers, for services provided during the year ended 31 December 2009 as follows:

Services rendered by External Auditor	**Fees paid/payable**
	HK$
Audit services	1,660,000
Non-audit services	393,000
Total:	2,053,000

The Audit Committee reflected their views to the Board that the level of fees paid/payable to the Company's External Auditor are reasonable and there has been no major disagreement between the External Auditor and the management of the Company during the year ended 31 December 2009.

3. *Review of the internal audit work*
In connection with the internal control review conducted in the Year, the Audit Committee has periodically reviewed the internal audit work and has had meetings with the internal auditor of the Company to follow up on the findings being identified in the assessment reports prepared by the internal auditor of the Company. The Audit Committee members are of the view that the key areas of the Company's internal control system have reasonably implemented and no material issues calling for concerns by the Board.

Remuneration Committee
The Company has established the Remuneration Committee with written terms of reference. The Board has delegated the authority to the Remuneration Committee to review and recommend to the Board the compensation scheme of the Company to the Directors.

The Remuneration Committee is at present has three members comprising one executive Director and two INEDs, namely

Mr. Lo Kwok Kwei, David *(Chairman)*
Ms. Kee Chor Lin
Dr. Li Sau Hung, Eddy

The main function of the Remuneration Committee is to assist the Board to oversee the Group's remuneration packages payable to the Directors and senior management, to determine the specific remuneration packages of all executive Directors and senior management and to establish a transparent procedure for developing policy on such remuneration. The Board has in consultation with the Chairman of the Remuneration Committee provide sufficient resources to the Remuneration Committee to enable it to discharge its duties.

During the Year, the Remuneration Committee met once and the attendance of each individual Directors is set out in page 14 of this annual report. The following matters were dealt with in the said meeting:

(1) Reviewed and confirmed the latest organisation chart of the Company;

(2) Review and approved the remuneration of the Directors and Key Management employees.

The terms of reference of the Remuneration Committee are available for inspection by the shareholders of the Company upon request made to the Company Secretary.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the financial statements for each financial period, which shall give a true and fair view of the state of affairs of the Company.

During the Year, the Board is not aware of any material uncertainties relating to event or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Company announces its interim and annual results as soon as reasonably practicable after the end of the relevant period and the financial year as required by the Listing Rules, disclosing all such information as would enable shareholders of the Company to assess the performance, financial position and prospects of the Company.

INTERNAL CONTROL

The Board undertakes to periodically review the internal control and risk management systems of the Group to ensure their effectiveness and efficiency and is responsible for maintaining effective internal control system of the Group.

In addition, an Internal Audit department has been established to provide assurance to the Board and management on the effectiveness of internal controls. The Internal Audit Manager reports directly to the Audit Committee.

INVESTOR RELATIONS AND COMMUNICATIONS

The Board recognizes the importance of maintaining on-going communication with the shareholders and establishes different communication channels with its shareholders and the investor.

The annual general meeting provides a forum for its shareholders to raise comments and exchange views with the Board. The Chairman of the Board, the Chairman of Audit Committee as well as the Chairman of Remuneration Committee shall attend each Annual General Meeting or any general meeting to answer questions from shareholders.

Updated company news and published announcements of the Group are made available on the websites of the Hong Kong Stock Exchange and the Company.

In addition, meetings with various investors were held with the directors of the Company during the Year to enhance interactive communications with shareholders and investors.

SHAREHOLDERS' RIGHT

The Bye-law 58 of the Company provides that any shareholder holding not less than 10% of the paid up capital of the Company, can deposit a requisition to the Board or the Company Secretary of the Company to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Report of the Directors

The directors of the Company (the "Directors") present their report and audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 20 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 29.

An interim dividend of HK0.5 cent per ordinary share was paid on 16 October 2009. The Directors recommend the payment of a final dividend of HK2.0 cents per ordinary share, totalling HK$9,568,000 payable on Friday, 2 July 2010 to shareholders whose names appear on the Register of Members of the Company on Thursday, 27 May 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 106. This summary does not form part of the audited financial statements.

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 16 and 17 to the consolidated financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in the Company's share capital, share options and warrants during the year are set out in notes 34 and 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 36 to the consolidated financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$77,554,000 (2008: HK$83,800,000), of which HK$9,568,000 (2008: HK$2,390,000) has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$165,640,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$33,771.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 27.3% (2008: 39.6%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 13.6% (2008: 18.1%).

Purchases from the Group's five largest suppliers accounted for approximately 46.9% (2008: 48.0%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 16.7% (2008: 21.1%).

None of the Directors or any of their associates 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 as follows:

Executive Directors
Ms. Kee Chor Lin
Mr. Chan Yu Ching, Eugene
Mr. Ko Pak On
Mr. Tso Yan Wing, Alan

Independent Non-executive Directors ("INEDs")
Dr. Li Sau Hung, Eddy
Mr. Lo Kwok Kwei, David
Mr. Mar, Selwyn

In accordance with bye-law 87 of the Company's bye-laws, Mr. Ko Pak On, Mr. Lo Kwok Kwei, David and Mr. Tso Yan Wing, Alan, will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Dr. Li Sau Hung, Eddy, Mr. Lo Kwok Kwei, David and Mr. Mar, Selwyn pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and still considers them to be independent.

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 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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.

DIRECTORS' REMUNERATION

The Directors' fees are either subject to shareholders' approval at the annual general meetings or Board of Directors' approval. Other emoluments are determined by the Company's Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Company.

REMUNERATION COMMITTEE

A Remuneration Committee was established on 22 March 2006 by the Company to consider the remuneration of the Directors and the senior management of the Company. The Remuneration Committee comprises two INEDs and one Executive Director.

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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2009, the interests and short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any of 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 "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares and underlying shares of the Company:

	Number of shares and underlying shares held, capacity and nature of interest				
Name of director	**Capacity**	**Nature of interest**	**Interests in shares**	**Interest in shares options**	**Approximate percentage of the Company's issued share capital**
Kee Chor Lin	Interest of controlled corporation (note)	Corporate	209,689,667		43.83%
Kee Chor Lin	Beneficial owner	Personal	44,068,334		9.21%
			253,758,001		53.04%
Chan Yu Ching, Eugene	Beneficial owner	Personal	4,716,666		0.99%
Ko Pak On	Beneficial owner	Personal	2,066,666	1,000,000	0.64%
Tso Yan Wing, Alan	Beneficial owner	Personal	116,000	700,000	0.17%

Note: These shares are held by Man Yue Holding Inc., a company wholly and beneficially owned by Ms. Kee Chor Lin, the chairman of the Company.

Save as disclosed above and as disclosed under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES", as at 31 December 2009, none of the Directors or chief executive 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 Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Share Option Scheme are disclosed in note 35 to the consolidated financial statements.

As at 31 December 2009, 2,250,000 share options remained outstanding under the Share Option Scheme and the details of the movements of the said outstanding share options were as follows:

							Price of the Company's shares[3]	
Name or category of participant	At 1 January 2009	Exercised during the year	At 31 December 2009	Date of grant of share options	Exercise period of share options[1]	Exercise price of share options[2]	Immediately before the exercise date HK$ per share	At the exercise date of options HK$ per share
Directors								
Ko Pak On	500,000	–	500,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
	500,000	–	500,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	1,000,000	–	1,000,000					
Tso Yan Wing, Alan	700,000	–	700,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
Other employees								
In aggregate	150,000	–	150,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
In aggregate	400,000	–	400,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
In aggregate	150,000	(150,000)	–	8.8.2006	8.8.2007 to 25.5.2016	1.60	2.25	2.25
In aggregate	150,000	(150,000)	–	8.8.2006	8.8.2007 to 25.5.2016	1.60	2.50	2.50
	850,000	(300,000)	550,000					
	2,550,000	(300,000)	2,250,000					

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

2 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.

3 The prices of the Company's shares immediately before the exercise date and as at the date of exercise of the share options are the weighted average of the closing prices of the Company's shares as quoted on the Stock Exchange immediately before the dates and as at the dates on which the options were exercised over all of the options exercised during the period as referred to the above table respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, 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 Director or their respective spouses 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

At 31 December 2009, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Man Yue Holdings Inc.		Personal/Beneficial Owner	209,689,667	43.83%
DJE Investment S.A. ("DJE")	1, 2 & 3	Investment manager	43,062,000	9.00%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	1, 2 & 3	Corporate/Interest of controlled corporation	43,062,000	9.00%
Dr Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	2 & 3	Corporate/Interest of controlled corporation	43,062,000	9.00%
Martin Currie (Holdings) Limited		Corporate/Interest of controlled corporation	39,149,600	8.18%

Notes:

1. DJE AG holds an 81% interest in DJE and is accordingly deemed to have interests in the shares held by DJE.

2. Dr. Ehrhardt holds a 68.5% interest in DJE AG and is accordingly deemed to have interests in the shares held by DJE or deemed to be interested by DJE AG.

3. The interests of DJE, DJE AG and Dr. Ehrhardt are in respect of the same 43,062,000 shares and duplicated each other.

Save as disclosed above, as at 31 December 2009, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee comprises three members and all of whom are the INEDs. None of whom is employed by or otherwise affiliated with the former or existing auditors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group in the annual report for the year.

AUDITOR

Messrs. Ernst & Young ("EY") have resigned as auditor of the Company with effect from 9 July 2009. Messrs. PricewaterhouseCoopers have been appointed as auditor of the Company with effect from 14 July 2009 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company.

On behalf of the board

Kee Chor Lin
Chairman

Hong Kong, 29 March 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone +852 2289 8888
Facsimile +852 2810 9888
pwchk.com

TO THE SHAREHOLDERS OF MAN YUE INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Man Yue International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 105, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5 & 6	**1,001,258**	1,285,535
Cost of sales		**(773,705)**	(1,039,487)
Gross profit		**227,553**	246,048
Other income	6	**6,498**	81,912
Other gains/(losses), net	6	**3,672**	(7,926)
Selling and distribution costs		**(39,868)**	(47,400)
Administrative expenses		**(115,460)**	(155,400)
Other operating expenses		**(363)**	(1,956)
Changes in fair values of investment properties	17	**–**	(6,100)
Operating profit	9	**82,032**	109,178
Finance costs	7	**(12,348)**	(27,362)
Finance income	8	**4,529**	12,897
Net finance costs		**(7,819)**	(14,465)
Share of results of jointly-controlled entities	21	**8,372**	10,482
Share of results of an associate	22	**1,360**	1,928
		9,732	12,410
Profit before tax		**83,945**	107,123
Tax	12	**(5,739)**	(16,926)
Profit for the year		**78,206**	90,197
Profit attributable to:			
– Equity holders of the Company		**78,656**	90,197
– Minority interests		**(450)**	–
		78,206	90,197
Earnings per share for profit attributable to the equity holders of the Company	14		
– Basic		**HK16.44 cents**	HK18.87 cents
– Diluted		**HK16.44 cents**	HK18.87 cents
		HK$'000	HK$'000
Dividends	15		
– Interim		**2,391**	14,343
– Proposed final		**9,568**	2,390
		11,959	16,733

The notes on pages 38 to 105 are an integral part of these financial statements.

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit for the year		**78,206**	90,197
Other comprehensive income:			
Assets revaluation surplus, net of tax	36	**753**	–
Fair value losses on available-for-sale investments, net of tax	36	**–**	(4,218)
Currency translation differences	36	**4,791**	65,803
Share of other comprehensive income of a jointly-controlled entity	36	**–**	1,584
Other comprehensive income for the year, net of tax	36	**5,544**	63,169
Total comprehensive income for the year		**83,750**	153,366
Total comprehensive income attributable to:			
– equity holders of the Company		**84,200**	153,366
– minority interests		**(450)**	–
		83,750	153,366

The notes on pages 38 to 105 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**630,878**	677,912
Prepaid land premium	18	**95,655**	95,517
Investment properties	17	**–**	29,500
Other intangible assets	19	**3,615**	–
Investments in jointly-controlled entities	21	**51,849**	42,716
Investment in an associate	22	**39,495**	35,851
Prepayments on purchases of property, plant and equipment		**41,040**	29,953
Other prepayments		**661**	1,650
Deferred tax assets	32	**2,109**	4,634
Total non-current assets		**865,302**	917,733
Current assets			
Inventories	23	**219,969**	305,898
Trade receivables	24	**296,781**	278,556
Prepayments, deposits and other receivables		**24,724**	84,227
Loans to a jointly-controlled entity	21	**71,271**	55,848
Due from jointly-controlled entities	21	**13,808**	15,624
Available-for-sale investments	25	**–**	2,570
Financial assets at fair value through profit or loss	26	**83**	38
Derivative financial instruments	27	**665**	1,984
Tax receivables		**5,389**	8,546
Cash and cash equivalents	28	**364,427**	406,466
Total current assets		**997,117**	1,159,757
Current liabilities			
Trade payables	29	**151,989**	182,987
Other payables and accrued liabilities		**72,499**	78,879
Derivative financial instruments	27	**296**	1,308
Tax payable		**3,602**	4,618
Bank loans	30	**296,755**	474,976
Finance lease payables	31	**–**	21
Dividend payables		**19**	5,078
Total current liabilities		**525,160**	747,867
Net current assets		**471,957**	411,890
Total assets less current liabilities		**1,337,259**	1,329,623

Consolidated Balance Sheet

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Total assets less current liabilities		**1,337,259**	1,329,623
Non-current liabilities			
Bank loans	30	**236,176**	300,286
Provision for long service payments		**1,796**	1,578
Deferred tax liabilities	32	**783**	6,072
Deferred income	33	**60,234**	61,437
Total non-current liabilities		**298,989**	369,373
Net assets		**1,038,270**	960,250
Equity			
Share capital	34	**47,839**	47,809
Reserves	36	**976,620**	903,928
Proposed final dividend	15	**9,568**	2,390
Equity attributable to equity holders of the Company		**1,034,027**	954,127
Minority interests		**4,243**	6,123
Total equity		**1,038,270**	960,250

Kee Chor Lin
Director

Tso Yan Wing, Alan
Director

The notes on pages 38 to 105 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Notes	Attributable to equity holders of the Company				
		Share capital	Reserves	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2008		47,764	792,907	840,671	–	840,671
Profit for the year		–	90,197	90,197	–	90,197
Other comprehensive income:						
Fair value losses on available-for-sale investments, net of tax	36	–	(4,218)	(4,218)	–	(4,218)
Share of other comprehensive income of a jointly-controlled entity	36	–	1,584	1,584	–	1,584
Currency translation differences	36	–	65,803	65,803	–	65,803
Total comprehensive income for the year ended 31 December 2008		–	153,366	153,366	–	153,366
Share options exercised		45	675	720	–	720
Warrants exercised	34	–	8	8	–	8
Contribution from minority shareholders		–	–	–	6,123	6,123
2007 final dividend and 2008 interim dividend	36	–	(40,638)	(40,638)	–	(40,638)
		45	(39,955)	(39,910)	6,123	(33,787)
Balance at 31 December 2008		47,809	906,318	954,127	6,123	960,250

The notes on pages 38 to 105 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Notes	Attributable to equity holders of the Company				
		Share capital HK$'000	Reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2009		**47,809**	**906,318**	**954,127**	**6,123**	**960,250**
Profit for the year		–	**78,656**	**78,656**	**(450)**	**78,206**
Other comprehensive income:						
Assets revaluation surplus, net of tax	36	–	**753**	**753**	–	**753**
Currency translation differences	36	–	**4,791**	**4,791**	–	**4,791**
Total comprehensive income for the year ended 31 December 2009		–	**84,200**	**84,200**	**(450)**	**83,750**
Share options exercised		**30**	**450**	**480**	–	**480**
Warrants exercised	34	–	**1**	**1**	–	**1**
Contribution from minority shareholders		–	–	–	**3,786**	**3,786**
Acquisition from minority shareholders		–	–	–	**(5,216)**	**(5,216)**
2008 final dividend and 2009 interim dividend	36	–	**(4,781)**	**(4,781)**	–	**(4,781)**
		30	**(4,330)**	**(4,300)**	**(1,430)**	**(5,730)**
Balance at 31 December 2009		**47,839**	**986,188**	**1,034,027**	**4,243**	**1,038,270**

The notes on pages 38 to 105 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit before tax		**83,945**	107,123
Adjustments for:			
Finance costs	7	**12,348**	27,362
Share of results of jointly-controlled entities		**(8,372)**	(10,482)
Share of results of an associate		**(1,360)**	(1,928)
Dividend income	6	**–**	(444)
Bank interest income	8	**(4,529)**	(12,897)
Gain on disposal of an investment property	6	**(500)**	(7,752)
Loss/(gain) on disposal of property, plant and equipment	9	**4**	(145)
Depreciation for property, plant and equipment	9	**89,373**	75,724
Amortisation of prepaid land premium	9	**2,061**	1,613
Amortisation of other intangible assets	9	**170**	3
Deferred income recognised as income	9	**(1,299)**	(1,350)
Impairment of available-for-sale investments	9	**–**	1,271
Realised (gain)/loss on disposal of available-for-sale investments, net	9	**(266)**	224
Fair value (gain)/loss on financial assets at fair value through profit or loss	9	**(45)**	81
Fair value loss on derivative instruments	6	**305**	2,468
Changes in fair values of investment properties	17	**–**	6,100
		171,835	186,971
Decrease/(increase) in inventories		**86,436**	(14,590)
(Increase)/decrease in trade receivables		**(17,992)**	41,905
Decrease/(increase) in prepayments, deposits and other receivables		**47,199**	(41,966)
Decrease in other prepayments		**989**	–
Decrease/(increase) in amounts due from jointly-controlled entities		**1,839**	(11,770)
Decrease in trade payables		**(31,212)**	(96,104)
(Decrease)/increase in other payables and accrued liabilities		**(6,447)**	1,593
Increase in provision for long service payments		**218**	–
Cash generated from operations		**252,865**	66,039
Interest received		**4,529**	12,897
Interest paid		**(12,348)**	(27,362)
Hong Kong profits tax paid		**(255)**	(3)
PRC and overseas taxes paid		**(6,436)**	(14,883)
Purchase of tax reserve certificates		**–**	(7,200)
Net cash inflow from operating activities		**238,355**	29,488

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash inflow from operating activities		**238,355**	29,488
Cash flows from investing activities			
Increase in prepayments on purchases of property, plant and equipment		**(11,040)**	–
Proceeds from disposal of available-for-sale investments		**2,836**	346
Purchases of property, plant and equipment		**(31,457)**	(105,629)
Proceeds from disposal of property, plant and equipment		**–**	2,777
Dividends received		**–**	444
Advances to jointly-controlled entities		**(15,380)**	(11,546)
Purchase of shareholding in an associate		**–**	(37,792)
Proceeds from disposal of investment property		**30,000**	43,152
Acquisition of a business	37	**–**	(18,849)
Decrease/(increase) in deposits with original maturity date of over three months		**77,499**	(77,499)
Net cash inflow/(outflow) from investing activities		**52,458**	(204,596)
Cash flows from financing activities			
Share options exercised		**480**	720
Warrants exercised	34	**1**	8
New bank loans		**408,174**	786,403
Repayment of bank loans		**(648,882)**	(669,855)
Interest element on finance lease rental payments		**–**	(10)
Capital element of finance lease rental payments		**(21)**	(254)
Contribution from minority shareholders		**–**	6,123
Acquisition from minority shareholders		**(5,679)**	–
Dividends paid		**(9,840)**	(35,576)
Net cash (outflow)/inflow from financing activities		**(255,767)**	87,559
Net increase/(decrease) in cash and cash equivalents		**35,046**	(87,549)
Effect of foreign exchange rate changes, net		**414**	25,833
Cash and cash equivalents at beginning of year		**328,967**	390,683
Cash and cash equivalents at end of year		**364,427**	328,967

Analysis of balances of cash and cash equivalents

	Notes	2009 HK$'000	2008 HK$'000
Cash and bank balances	28	**283,687**	216,633
Time deposits with original maturity of less than three months when acquired		**80,740**	112,334
		364,427	328,967

The notes on pages 38 to 105 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	20	**63,823**	63,823
Other prepayments		**–**	1,650
Total non-current assets		**63,823**	65,473
Current assets			
Due from subsidiaries	20	**593,021**	758,629
Prepayments, deposits and other receivables		**1,255**	1,407
Cash and cash equivalents	28	**553**	5,123
Total current assets		**594,829**	765,159
Current liabilities			
Due to subsidiaries	20	**59,675**	59,870
Other payables and accrued liabilities		**13,486**	16,258
Tax payable		**–**	2,000
Bank loans	30	**154,243**	154,743
Dividend payables		**19**	5,078
Total current liabilities		**227,423**	237,949
Net current assets		**367,406**	527,210
Total assets less current liabilities		**431,229**	592,683
Non-current liabilities			
Bank loans	30	**136,393**	292,286
Provision for long service payments		**527**	324
Total non-current liabilities		**136,920**	292,610
Net assets		**294,309**	300,073
Equity			
Share capital	34	**47,839**	47,809
Reserves	36	**236,902**	249,874
Proposed final dividend	15	**9,568**	2,390
Total equity		**294,309**	300,073

Kee Chor Lin
Director

Tso Yan Wing, Alan
Director

The notes on pages 38 to 105 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The principal activities of Man Yue International Holdings Limited (the "Company") and its subsidiaries (together "the Group") are manufacturing and trading of electronic components and trading of raw materials.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2010.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, except for certain buildings, derivative financial instruments, investment properties, financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair value.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 Impact of new and revised Hong Kong financial reporting standards

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income.

2 BASIS OF PREPARATION (CONTINUED)

2.2 Impact of new and revised Hong Kong financial reporting standards (continued)

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who makes strategic decisions.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The consolidated financial statements have been prepared under the revised disclosure requirements.

The following new standards, amendments to standards and interpretations are also mandatory for the first time for the financial year beginning 1 January 2009 but are either not relevant to the Group or have no significant impact on the Group's consolidated financial statements:

- HKAS 23 (revised) – Borrowing costs
- HKAS 27 (amendment) – Consolidated and separate financial statements
- HKFRS 2 (amendment) – Share-based payment
- HKAS 32 (amendment) – Financial instruments: presentation
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives
- HKAS 39 (amendment) – Financial instruments: Recognition and measurement
- HK(IFRIC) – Int 13 – Customer loyalty programmes
- HK(IFRIC) – Int 15 – Agreements for the construction of real estate
- HK(IFRIC) – Int 16 – Hedges of a net investment in a foreign operation
- HK(IFRIC) – Int 18 – Transfer of assets from customers
- First annual improvement project
  - HKAS 1 – Presentation of financial statements
  - HKAS 16 – Property, plant and equipment
  - HKAS 19 – Employee benefits
  - HKAS 20 – Accounting for government grants and disclosure of government assistance
  - HKAS 28 – Investments in associates
  - HKAS 29 – Financial reporting in hyperinflationary economies
  - HKAS 31 – Interests in joint ventures
  - HKAS 36 – Impairment of assets
  - HKAS 38 – Intangible assets
  - HKAS 39 – Financial instruments: Recognition and measurement
  - HKAS 40 – Investment property

2 BASIS OF PREPARATION (CONTINUED)

2.2 Impact of new and revised Hong Kong financial reporting standards (continued)

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

The directors are in the process of reviewing the impact of the Group's financial statements in respect of the adoption of theses standards, amendments and interpretation to existing standards.

The adoption of the below new standards, amendments to standards and interpretations will have no significant impact on the Group's consolidated financial statements apart from certain presentational changes and additional disclosures.

- HKFRS 2 (amendment) – Share-based payments[1, 2]
- HKFRS 3 (revised) – Business combinations[2]
- HKFRS 5 (amendment) – Non-current assets held for sale and discontinued operations[1]
- HKFRS 8 (amendment) – Operating segments[1]
- HKFRS 9 – Financial instruments[3]
- HKAS 1 (amendment) – Presentation of financial statements[1]
- HKAS 7 (amendment) – Statement of cash flows[1]
- HKAS 17 (amendment) – Leases[1]
- HKAS 24 (revised) – Related party disclosures[4]
- HKAS 27 (revised) – Consolidated and separate financial statements[2]
- HKAS 32 (amendment) – Classification of rights issue[5]
- HKAS 36 (amendment) – Impairment of assets[1]
- HKAS 38 (amendment) – Intangible assets[2]
- HKAS 39 (amendment) – Financial instruments: recognition and measurement[1, 2]
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives[2]
- HK(IFRIC) – Int 14 – Prepayments of a minimum funding requirement[4]
- HK(IFRIC) – Int 16 (amendment) – Hedges of a net investment in a foreign operation[2]
- HK(IFRIC) – Int 17 – Distributions of non-cash assets to owners[2]
- HK(IFRIC) – Int 19 – Extinguishing financial liabilities with equity instruments[6]

[1] Changes effective for annual periods beginning on or after 1 January 2010.
[2] Changes effective for annual periods beginning on or after 1 July 2009.
[3] Changes effective for annual periods beginning on or after 1 January 2013.
[4] Changes effective for annual periods beginning on or after 1 January 2011.
[5] Changes effective for annual periods beginning on or after 1 February 2010.
[6] Changes effective for annual periods beginning on or after 1 July 2010.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

(b) Minority interests

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

(c) Jointly-controlled entities

A jointly-controlled entity is a joint venture 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 interests in jointly-controlled entities are 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 Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally between 20% and 50% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in the associate 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 Group's share of the post-acquisition results and reserves of the associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the associate is included as part of the Group's interest in the associate.

The results of the associate is included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in the associate is treated as non-current asset and is stated at cost less any impairment losses.

(e) Goodwill

Goodwill arising on the acquisition of a subsidiary, jointly-controlled entities and associate represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of jointly-controlled entities and an associate (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

The excess for interest in jointly-controlled entities and interest in associate is included in the Group's share of the jointly-controlled entities and the associate's profits or losses in the period in which the investments are acquired.

(g) Impairment of non-financial assets other than goodwill

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

(h) 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 an associate;

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

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

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

(f) 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 (d) or (e).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 consolidated 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset 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 consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	2%
Machinery and equipment	9% – 20%
Furniture and fixtures	18% – 20%
Motor vehicles	18% – 20%
Leasehold improvements	9% – 20%

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment and depreciation (continued)

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 consolidated 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 factory buildings, office premises and workers' dormitories and related infrastructure projects 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 when completed and ready for use.

(j) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or 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 balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated 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 consolidated income statement in the year of retirement or disposal.

(k) Intangible assets

(i) Technology know-how

Technology know-how was acquired for use in the production of certain high technology electronic components. Technology know-how has a finite useful life and is carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the useful life of the technology know-how of three years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

(ii) *Research and development costs*

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

(a) it is technically feasible to complete the product so that it will be available for use;

(b) management intends to complete the product and use or sell it;

(c) there is an ability to use or sell the product;

(d) it can be demonstrated how the product will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the product are available; and

(f) the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are recognised as part of the product include the product development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

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 lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

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

(m) Investments and other financial assets

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

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

(ii) 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 less any allowance for impairment. 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 consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. Interest earned is reported as interest income and is recognised in the consolidated income statement as "Other income" in accordance with the policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the consolidated income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on 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 option pricing models.

(n) 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.

(i) 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 amount. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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 by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated 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 trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of financial assets (continued)

(ii) *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

(o) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial liabilities at amortised cost (including bank loans)

Financial liabilities including trade and other payables and bank loans 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. The related interest expense is recognised within "Finance costs" in the consolidated income statement.

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

(q) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses in liabilities held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability 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 liabilities 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 liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

(r) Derecognition of financial liabilities

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(t) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average 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.

(u) Trade and other receivables

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

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

(v) 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 that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months 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 balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Trade and other payables

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

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

(x) Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

(y) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated 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 financial reporting purposes.

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination 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 investments in subsidiaries, associates and interests in joint ventures, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Income tax (continued)

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 in a transaction that is not a business combination 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 investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

(z) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to a non-current asset, the fair value is included in non-current liabilities as deferred income. Deferred income is credited to the consolidated income statement on a straight-line basis over the lease term of the associated assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) 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.

Income from the sale of goods is recognised when 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.

Interest income is recognised 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.

Income from the trading of securities is recognised on the date when the transaction takes place.

(ab) Employee benefits

(i) Share option scheme

The Group operates a share option scheme (the "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 using a binomial model, further details of which are given in note 35 to the financial statements. In valuing the granting of share options, no account is taken of any performance conditions, other than conditions linked to the historical price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at 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 consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Employee benefits (continued)

(ii) Employment Ordinance – long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance 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.

(iii) Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated 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. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

(ac) Borrowing costs

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

(ad) 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.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group, which is considered as the Group's executive team, comprising all executive directors and headed by the Managing Director. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments based on the entity-wide financial information.

(af) Foreign currencies

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

(ag) Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The presentation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Current and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed. Further details are contained in note 32 to the consolidated financial statements.

(ii) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(iii) Estimated provision for inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write downs on Inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(iv) Estimated impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the years in which such estimates have been changed.

5 SEGMENT INFORMATION

The Group's executive team, comprising all executive directors and headed by the Managing Director, is considered as the Chief Operating Decision Maker ("CODM"). The CODM reviews the performance of the Group on a regular basis.

As over 90% of the Group's business operations relate to the manufacturing, selling and distribution of electronic components, namely Aluminum Electrolytic Capacitors, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group. Set out below is a summary list of key performance indicators reviewed by CODM on a regular basis:

	2009 **HK$'000**	2008 HK$'000
Revenue	**1,001,258**	1,285,535
Gross profit	**227,553**	246,048
Gross profit margin (%)	**22.7%**	19.1%
EBITDA (note i)	**187,897**	211,825
EBITDA margin (%)	**18.8%**	16.5%
Operating expenses (note ii)	**155,328**	202,800
Operating expenses/Revenue (%)	**15.5%**	15.8%
Profit for the year	**78,206**	90,197
Net profit margin (%)	**7.8%**	7.0%
Total assets	**1,862,419**	2,077,490
Equity attributable to equity holders of the Company	**1,034,027**	954,127
Inventories	**219,969**	305,898
Inventory days	**104**	107
Trade receivables	**296,781**	278,556
Trade receivable days	**108**	79
Trade payables	**151,989**	182,987
Trade payable days	**72**	64
Total interest-bearing debts	**532,931**	775,283
Cash and cash equivalents – balance sheet	**364,427**	406,466
Net debts	**168,504**	368,817
Net debts to equity ratio (%)	**16.3%**	38.7%

note i: EBITDA represents the earnings before interest, taxes, depreciation and amortisation.

note ii: Operating expenses represent the expenditure that the Group incurs as a result of performing its normal business operations, including the selling and distribution costs and administrative expenses.

5 SEGMENT INFORMATION (CONTINUED)

The following table presents the revenue and non-current assets of the Group by geographical segments:

Revenue

For the year ended 31 December is as follows:

	2009	2008
	HK$'000	HK$'000
Hong Kong	**157,359**	135,841
Mainland China	**394,183**	342,745
Taiwan	**93,566**	491,741
Southeast Asia	**220,094**	170,595
Korea	**32,585**	31,667
United States	**22,392**	32,657
Europe	**17,481**	46,863
Other countries	**63,598**	33,426
Total	**1,001,258**	1,285,535

Non-current assets (exclude deferred tax assets)

	2009	2008
	HK$'000	HK$'000
Hong Kong	**16,262**	47,879
Mainland China	**807,414**	829,331
Other countries	**39,517**	35,889
Total	**863,193**	913,099

Revenue of approximately HK$135,925,000 (2008: HK$232,613,000) is derived from a single external customer.

6 REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

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

An analysis of revenue, other income and other gains/(losses), net is as follows:

	2009 HK$'000	2008 HK$'000
Revenue		
Manufacture and trading of electronic components	**992,130**	1,272,989
Trading of raw materials	**9,128**	12,546
	1,001,258	1,285,535
Other income		
Refund of value-added taxes	**2,886**	–
Subsidies from PRC government	**1,464**	–
Insurance compensation	**–**	77,881
Dividend income from available-for-sale investments	**–**	444
Others	**2,148**	3,587
	6,498	81,912
Other gains/(losses), net		
Gain on disposal of an investment property	**500**	7,752
Fair value loss on derivative instruments	**(305)**	(2,468)
Foreign exchange differences, net	**3,477**	(12,967)
Others	**–**	(243)
	3,672	(7,926)

7 FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest expense on bank loans repayable within five years	**12,348**	27,352
Interest on finance leases	**–**	10
	12,348	27,362

8 FINANCE INCOME

	2009 HK$'000	2008 HK$'000
Interest income from loan to jointly-controlled entities	**2,208**	1,537
Interest income from term deposits and bank balances	**2,321**	11,360
	4,529	12,897

9 OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting) the following:

	Notes	2009 HK$'000	2008 HK$'000
Employee benefit expense (including directors' remuneration (note (10)):			
Wages and salaries		**105,589**	142,013
Pension scheme contributions		**6,236**	12,628
		111,825	154,641
Cost of inventories sold (include raw materials and consumables used and changes in inventories of finished goods and work in progress)		**535,438**	790,756
Auditors' remuneration			
Audit services		**1,660**	1,980
Non-audit services		**393**	1,477
Depreciation for property, plant and equipment	16	**89,373**	75,724
Amortisation of prepaid land premium	18	**2,061**	1,613
Amortisation of other intangible assets	19	**170**	3
Loss/(gain) on disposal of property, plant and equipment		**4**	(145)
Lease payments under operating leases for land and buildings		**15,558**	29,701
Impairment of available-for-sale investments	25	**–**	1,271
(Reversal of impairment)/impairment of inventories		**(19,777)**	14,915
Impairment of trade receivables, net		**10,981**	9,517
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(45)**	81
Realised (gain)/loss on disposal of available-for-sale investments, net		**(266)**	224
Deferred income recognised as income		**(1,299)**	(1,350)

10 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Appendix 14 of 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:

	2009 **HK$'000**	2008 HK$'000
Fees	**990**	990
Other emoluments:		
Salaries and allowances	**8,421**	10,460
Discretionary bonuses	**5,069**	5,053
Pension scheme contributions	**48**	49
Total directors' remuneration	**14,528**	16,552

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 **HK$'000**	2008 HK$'000
Mar, Selwyn	**330**	330
Li Sau Hung, Eddy	**330**	330
Lo Kwok Kwei, David	**330**	330
	990	990

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

10 DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009				
Executive directors:				
Kee Chor Lin	**3,019**	**4,080**	**12**	**7,111**
Chan Yu Ching, Eugene	**2,825**	**340**	**12**	**3,177**
Tso Yan Wing, Alan	**1,680**	**280**	**12**	**1,972**
Ko Pak On	**897**	**369**	**12**	**1,278**
	8,421	**5,069**	**48**	**13,538**
2008				
Executive directors:				
Chan Ho Sing	4,537	4,000	10	8,547
Kee Chor Lin (Note (a))	477	64	3	544
Chan Yu Ching, Eugene	2,869	340	12	3,221
Tso Yan Wing, Alan	1,680	280	12	1,972
Ko Pak On	897	369	12	1,278
	10,460	5,053	49	15,562

Note:

(a) Ms. Kee Chor Lin was appointed as director of the Company on 10 October 2008. Remuneration payable subsequent to this date was included as directors' remuneration for the year ended 31 December 2008.

No remuneration has been paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration during the year (2008: Nil).

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2008: three) directors, details of whose remuneration are set out in note 10 above.

For the year ended 31 December 2008, only a portion of the remuneration of Ms. Kee Chor Lin was considered as directors' remuneration as set out in note 10 and she is considered one of the five highest paid employees in 2008, her full year's remuneration including the portion disclosed in note 10 has been included in this disclosure note.

Details of the remuneration of the remaining one (2008: two) highest paid employees for the year are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and allowances	**1,273**	3,252
Discretionary bonuses	**49**	329
Pension scheme contributions	**12**	24
	1,334	3,605

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

	Number of employees	
	2009	2008
HK$1,000,000 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	1	2

No remuneration has been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the five highest paid individuals waived or agreed to waive any remuneration during the year (2008: Nil).

12 TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009	2008
	HK$'000	HK$'000
Charge for the year:		
Current:		
Hong Kong	**918**	2,415
Mainland China	**6,846**	12,573
Overseas	**–**	(6)
Under/(over) provision in prior years	**895**	(25)
	8,659	14,957
Deferred (note 32)	**(2,920)**	1,969
Total tax charge for the year	**5,739**	16,926

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 12.5% to 25%.

The tax affairs of certain subsidiaries of the Group for prior years were under review by the Hong Kong Inland Revenue Department (the "IRD"). In connection with the review by the IRD, notices of assessments were issued to the subsidiaries of the Group for the years from 1998 to 2001 and objections were lodged with the IRD. Tax reserve certificates of HK$8,480,000 (the "TRC") were purchased in 2007 and 2008.

On 21 January 2010, the Group received a net refund of HK$5,472,000 from the IRD for the TRC. The relevant provision had been fully made in 2009 and the case was fully settled on 5 March 2010.

12 TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2009		2008	
	HK$'000	**%**	HK$'000	%
Profit before tax	**83,945**		107,123	
Tax at the statutory tax rate	**18,709**	**22.3**	22,783	21.3
Lower tax rate for specific local authority	**(4,181)**		(9,830)	
Profits attributable to jointly-controlled entities and an associate	**(2,433)**		7,492	
Effect on opening deferred tax of decrease in rates	**–**		61	
Income not subject to tax	**(5,638)**		(15,212)	
Reversal of deferred tax liabilities upon disposal of investment properties	**(3,077)**		–	
Expenses not deductible for tax	**1,852**		7,719	
Under provision in previous year	**895**		–	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**(2,823)**		2,799	
Tax losses utilised from previous periods	**–**		(2,385)	
Tax losses not recognised	**2,435**		3,499	
Tax charge at the Group's effective rate	**5,739**	**6.8**	16,926	15.8

The share of tax attributable to jointly-controlled entities and an associate amounting to HK$2,433,000 tax charge (2008: HK$7,492,000 tax credit) is included in "Share of results of jointly-controlled entities" and "Share of results of an associate" on the face of the consolidated income statement.

12 TAX (CONTINUED)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax HK$'000	**Tax HK$'000**	**After tax HK$'000**	Before tax HK$'000	Tax HK$'000	After tax HK$'000
Fair value gains:						
– Buildings	**910**	**(157)**	**753**	84	(84)	–
– Available-for-sale investments	**–**	**–**	**–**	(4,218)	–	(4,218)
Currency translation differences	**4,791**	**–**	**4,791**	65,803	–	65,803
Share of other comprehensive income of a jointly-controlled entity	**–**	**–**	**–**	1,584	–	1,584
Other comprehensive income	**5,701**	**(157)**	**5,544**	63,253	(84)	63,169
Deferred tax (note 32)		**(157)**			(84)	

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$1,464,000 (2008: a profit of HK$19,295,000).

14 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$78,656,000 (2008: HK$90,197,000), and the weighted average of 478,167,000 (2008: 478,035,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2008 and 31 December 2009 was the same as the basic earnings per share for the respective years as the Company's share options and warrants outstanding during the years were anti-dilutive potential ordinary shares.

15 DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim – HK0.5 cent (2008: HK3.0 cents) per ordinary share	**2,391**	14,343
Proposed final – HK2.0 cents (2008: HK0.5 cent) per ordinary share	**9,568**	2,390
	11,959	16,733

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

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
2009							
At 1 January 2009:							
Cost or valuation	114,732	787,467	31,413	11,594	66,884	3,512	1,015,602
Accumulated depreciation	–	(287,415)	(16,522)	(6,793)	(26,960)	–	(337,690)
Net carrying amount	114,732	500,052	14,891	4,801	39,924	3,512	677,912
At 1 January 2009, net of accumulated depreciation	114,732	500,052	14,891	4,801	39,924	3,512	677,912
Additions	8,652	26,108	490	539	4,150	498	40,437
Disposals	–	–	(4)	–	–	–	(4)
Surplus on revaluation	910	–	–	–	–	–	910
Depreciation provided during the year	(4,482)	(76,497)	(4,062)	(1,796)	(2,536)	–	(89,373)
Transfers	1,149	(729)	(258)	–	–	(162)	–
Exchange realignment	165	736	23	5	61	6	996
At 31 December 2009, net of accumulated depreciation	121,126	449,670	11,080	3,549	41,599	3,854	630,878
At 31 December 2009:							
Cost or valuation	121,126	814,007	31,164	12,147	71,109	3,854	1,053,407
Accumulated depreciation	–	(364,337)	(20,084)	(8,598)	(29,510)	–	(422,529)
Net carrying amount	121,126	449,670	11,080	3,549	41,599	3,854	630,878
Analysis of cost or valuation:							
At cost	–	814,007	31,164	12,147	71,109	3,854	932,281
At 2009 valuation	121,126	–	–	–	–	–	121,126
	121,126	814,007	31,164	12,147	71,109	3,854	1,053,407

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
2008							
At 1 January 2008:							
Cost or valuation	76,260	637,498	29,104	11,328	58,244	41,235	853,669
Accumulated depreciation	–	(238,037)	(13,443)	(6,248)	(21,322)	–	(279,050)
Net carrying amount	76,260	399,461	15,661	5,080	36,922	41,235	574,619
At 1 January 2008, net of accumulated depreciation	76,260	399,461	15,661	5,080	36,922	41,235	574,619
Additions	–	69,686	2,934	1,177	5,003	20,692	99,492
Acquisition from business combination (note 37)	–	32,928	–	–	–	–	32,928
Disposals	–	(2,105)	(60)	(266)	(201)	–	(2,632)
Surplus on revaluation	84	–	–	–	–	–	84
Depreciation provided during the year	(4,652)	(62,893)	(4,163)	(1,786)	(2,230)	–	(75,724)
Transfer from prepayments, deposits and other receivables	–	18,098	–	–	–	–	18,098
Transfer	34,305	26,302	–	–	–	(60,607)	–
Exchange realignment	8,735	18,575	519	596	430	2,192	31,047
At 31 December 2008, net of accumulated depreciation	114,732	500,052	14,891	4,801	39,924	3,512	677,912
At 31 December 2008:							
Cost or valuation	114,732	787,467	31,413	11,594	66,884	3,512	1,015,602
Accumulated depreciation	–	(287,415)	(16,522)	(6,793)	(26,960)	–	(337,690)
Net carrying amount	114,732	500,052	14,891	4,801	39,924	3,512	677,912
Analysis of cost or valuation:							
At cost	–	787,467	31,413	11,594	66,884	3,512	900,870
At 2008 valuation	114,732	–	–	–	–	–	114,732
	114,732	787,467	31,413	11,594	66,884	3,512	1,015,602

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group had no property, plant and machinery held under finance leases at 31 December 2009 (2008: HK$367,000).

The Group's buildings were revalued individually on 31 December 2009 by BMI Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$121,126,000. A revaluation gain totalling HK$910,000, resulting from the above valuations, has been credited to the relevant asset revaluation reserve. Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying values would have been approximately HK$114,197,000 (2008: HK$106,009,000).

17 INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**29,500**	71,000
Disposal	**(29,500)**	(35,400)
Net loss from fair value adjustment	**–**	(6,100)
Carrying amount at 31 December	**–**	29,500

The Group's investment property as at 31 December 2008 was situated in Hong Kong and was held under medium term leases.

18 PREPAID LAND PREMIUM

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**97,576**	93,750
Amortised during the year	**(2,061)**	(1,613)
Exchange realignment	**140**	5,439
Carrying amount at 31 December	**95,655**	97,576
Current portion included in prepayments, deposits and other receivables	**–**	(2,059)
Non-current portion	**95,655**	95,517

18 PREPAID LAND PREMIUM (CONTINUED)

An analysis of the Group's leasehold land is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
Medium term leases:		
Hong Kong	**7,929**	8,138
Mainland China	**87,726**	89,438
	95,655	97,576

19 OTHER INTANGIBLE ASSETS

Group

	Technology know-how HK$'000
At 1 January 2008	
Cost	1,319
Accumulated amortisation	(1,315)
Net carrying amount	4
At 1 January 2008, net of accumulated amortisation	4
Amortisation provided during the year	(3)
Exchange realignment	(1)
At 31 December 2008, net of accumulated amortisation	–
At 31 December 2008	
Cost	1,319
Accumulated amortisation	(1,319)
Net carrying amount	–

19 OTHER INTANGIBLE ASSETS (CONTINUED)

Group

	Goodwill HK$'000	Technology know-how HK$'000	Total HK$'000
At 1 January 2009, net of accumulated amortisation	–	–	–
Additions	**378**	**3,407**	**3,785**
Amortisation provided during the year	–	**(170)**	**(170)**
At 31 December 2009, net of accumulated amortisation	**378**	**3,237**	**3,615**
At 31 December 2009			
Cost	**378**	**4,726**	**5,104**
Accumulated amortisation	–	**(1,489)**	**(1,489)**
Net carrying amount	**378**	**3,237**	**3,615**

As at 31 December 2009, management of the Group is of the view that there was no impairment of goodwill.

20 INTERESTS IN SUBSIDIARIES

	Company **2009** **HK$'000**	 2008 HK$'000
Unlisted shares, at cost	**63,823**	63,823
Due from subsidiaries	**593,021**	758,629
Due to subsidiaries	**(59,675)**	(59,870)
	597,169	762,582

The amounts due from and to subsidiaries are included in the Company's current assets and current liabilities, respectively. They are unsecured, interest-free and have no fixed terms of repayment.

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Dongguan Manixon New Materials and Components Company Limited (Formerly known as Dongguan Ostor-Samxon Electronics Co. Ltd.) #*	People's Republic of China/ Mainland China	Registered US$9,590,000	**100**	100	Manufacture and sale of electronic components
Jiangxi Telexon Electronics Company Limited #*	People's Republic of China/ Mainland China	Registered RMB36,400,000	**98**	89	Manufacture and sale of electronic components
Johnstone International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	Investment holding
Long Trade (Macao Commercial Offshore) Limited*	Macau	Registered MOP100,000	**100**	100	Trading of raw materials
Man Fat International Trading (Shanghai) Co., Ltd.#*	People's Republic of China/ Mainland China	Registered US$200,000	**100**	100	Trading of electronic components
Man Jin Electronics (Shenzhen) Company Limited#*	People's Republic of China/ Mainland China	Registered HK$600,000	**100**	100	Trading of electronic components
Man Yue Electronics Company Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$3,000,000	**100**	100	Trading of electronic components

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Man Yue (China) Investment Limited #*	People's Republic of China/ Mainland China	Registered US$120,000,000	**100**	–	Investment holding
Man Yue Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$10,000	**100**	100	Investment holding
Man Yue Technology Limited	British Virgin Islands/ Hong Kong	Ordinary US$10	**100**	100	Investment holding
Man Yue Technology (China) Limited#*	People's Republic of China/ Mainland China	Registered US$48,000,000	**100**	100	Investment holding
Manixon Electronics Company Ltd	Hong Kong	Ordinary HK$1	**100**	100	Trading of electronic components
MMS Electronics Company Limited	Hong Kong	Ordinary HK$1	**100**	100	Trading of electronic components
MMS Logistics Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Trading of electronic components
Rifeng Qingyuan Electronic Company Limited#*	People's Republic of China/ Mainland China	Registered HK$80,000,000	**100**	100	Manufacture and sale of raw materials
Samxon Electronic Components LLC*	USA	Contributed US$1,000	**100**	100	Provision of marketing-related services

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows (Continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Samxon Electronics (Dongguan) Co., Ltd.#*	People's Republic of China/ Mainland China	Registered US$46,775,000	**100**	100	Manufacture and sale of electronic components
Searange Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Trading of equity investments
Splendid Skills Holdings Ltd.	British Virgin Islands/ Hong Kong	Ordinary US$10	**100**	100	Investment holding
Stand New Enterprise Ltd.	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
TradeUNIT Limited	British Virgin Islands/ Hong Kong	Ordinary HK$9,500,000	**100**	100	Trading of raw materials and electronic components
Wuxi Man Yue Electronics Company Limited#*	People's Republic of China/ Mainland China	Registered US$30,000,000	**100**	100	Manufacture and sale of electronic components
Xin Jiang Join Yue Electronics New Materials Company Limited#*	People's Republic of China/ Mainland China	Registered US$8,000,000	**100**	100	Manufacture and sale of raw materials
深圳英普蘭醫療器械有限公司*	People's Republic of China/ Mainland China	Registered RMB10,000,000	**66.7**	66.7	Research and development of medical equipment

* Not audited by PricewaterhouseCoopers or other member firm of PricewaterhouseCoopers the global network.

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

All the subsidiaries of the Company are limited liability companies.

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

21 INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**51,849**	42,716
Loans to a jointly-controlled entity	**71,271**	55,848
Due from jointly-controlled entities	**13,808**	15,624
	136,928	114,188

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Except for the loans amounting to HK$42,452,000 (2008: HK$27,028,000), which are interest-bearing at a rate of 5.76% (2008: 6.84%) per annum, the remaining loans to the jointly-controlled entity are interest-free. Loans to jointly-controlled entity are unsecured and have no fixed terms of repayment.

Particulars of the principal jointly-controlled entities, all of which are held indirectly through subsidiaries, are as follows:

Name	Particulars of issued shares/registered capital	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Ever Reliance Industrial Investments Limited ("Ever Reliance")	10,000 shares of HK$1 each	Hong Kong	48	50	48	Investment holding
Foshan Rifeng Electronic Co., Ltd.	Registered capital of US$1,000,000	People's Republic of China/ Mainland China	33	33	33	Holding of investment property
Nan Tong Xin Cheng Electronics Co., Ltd.	Registered capital of HK$6,080,000	People's Republic of China/ Mainland China	49	33	49	Manufacture and sale of raw materials

21 INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

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

	Group	
	2009	2008
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**130,162**	110,522
Current assets	**18,915**	15,283
Current liabilities	**(65,332)**	(28,147)
Non-current liabilities	**(31,896)**	(54,942)
Net assets	**51,849**	42,716
Share of the jointly-controlled entities' results:		
Total income	**51,091**	46,542
Total expenses	**(42,719)**	(36,060)
Profit for the year	**8,372**	10,482

22 INVESTMENT IN AN ASSOCIATE

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**39,495**	35,851

Particulars of the associate which is held indirectly through a subsidiary, are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Luminous Town Electric Co., Ltd.	15,930,011 ordinary shares of TWD10 each	Republic of China	24.83%	Trading of electronic components

22 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The Group's share of the results of its associate, which is unlisted, and its aggregated assets (including goodwill) and liabilities, are as follows:

	2009	2008
	HK$'000	HK$'000
Assets	**90,018**	70,702
Liabilities	**(50,523)**	(34,851)
Revenues	**67,645**	70,544
Profit for the year	**1,360**	1,928

23 INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**88,722**	162,708
Work in progress	**33,515**	28,967
Finished goods	**97,732**	114,223
	219,969	305,898

24 TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**319,892**	294,043
Provision for impairment of trade receivables	**(23,111)**	(15,487)
	296,781	278,556

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 90 days, extending up to 150 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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. As at 31 December 2009, included in the trade receivables was HK$31,264,000 over which the Group had held certain assets as collateral.

24 TRADE RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions for doubtful debts, is as follows:

	Group			
	2009		2008	
	HK$'000	**%**	HK$'000	%
Current and within payment terms	**237,301**	**80**	210,447	75
1 – 3 months past due	**22,877**	**8**	57,029	20
4 – 6 months past due	**1,535**	**1**	1,610	1
7 – 12 months past due	**28,718**	**9**	8,840	3
Over 1 year past due	**6,350**	**2**	630	1
	296,781	**100**	278,556	100

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**15,487**	8,690
Impairment losses recognised	**15,283**	10,617
Amount written off as uncollectible	**(3,357)**	(2,720)
Impairment losses reversed	**(4,316)**	(1,363)
Exchange realignment	**14**	263
At 31 December	**23,111**	15,487

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$57,153,000 (2008: HK$25,357,000) with a carrying amount of HK$34,042,000 (2008: HK$9,870,000). The individually impaired trade receivables relate to customers that were in financial difficulties, in default or delinquency in payments and only a portion of the receivables is expected to be recovered.

24 TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Current and within payment term	**237,301**	203,545
1 – 3 months past due	**22,871**	54,061
4 – 6 months past due	**1,535**	1,610
7 – 12 months past due	**850**	8,840
Over 1 year past due	**182**	630
	262,739	268,686

Receivables that were current and within payment terms relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables is an amount due from the Group's jointly-controlled entity of nil (2008: HK$15,411,000) and due from the Group's associate of HK$50,000 (2008: HK$17,808,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

25 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Overseas listed equity investments, at fair value	**–**	2,570

At 31 December 2008, the investments consisted of investments in equity securities which were designated as available-for-sale financial assets.

The fair values of listed equity investments were based on quoted market prices.

At 31 December 2008, there had been a significant decline in the market value of the listed equity investments during the year. The directors considered that such a decline indicated that the listed equity investments had been impaired and an impairment loss of HK$1,271,000 had been recognised in the consolidated income statement in 2008.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**83**	38

The above equity investments were classified as held for trading at 31 December 2008 and 2009.

27 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward currency contracts	**637**	**296**	1,984	1,308
Interest rate swap	**28**	**–**	–	–
	665	**296**	1,984	1,308

At 31 December 2009, the Group held forward currency contracts for managing expected future operating use, purchases from suppliers and sales to customers in Mainland China. The Group also has one interest rate swap agreement in place with a notional amount of HK$100,000,000 to manage certain exposure to changes in interest rate in relation to bank loans.

The changes in the fair value of forward currency contracts and interest rate swap which did not meet the criteria for hedge accounting for accounting purpose amounting to HK$305,000 (2008: HK$2,711,000) were charged to the consolidated income statement during the year.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**283,687**	216,633	**553**	5,123
Time deposits	**80,740**	189,833	**–**	–
Total	**364,427**	406,466	**553**	5,123

Cash at banks earns interest at floating bank deposit rates. Short term time deposits range from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

As at the balance sheet date, the amount of cash and bank balances which denominated in Renminbi ("RMB") was HK$35,421,000 (2008: HK$35,397,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

29 TRADE PAYABLES

An ageing analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group			
	2009		2008	
	HK$'000	**%**	HK$'000	%
Accounts payable:				
Less than 3 months	**55,918**	**46**	47,681	31
4 – 6 months	**49,602**	**40**	91,466	60
7 – 12 months	**4,154**	**3**	8,612	6
Over 1 year	**13,402**	**11**	4,161	3
	123,076	**100**	151,920	100
Bills payable	**28,913**		31,067	
	151,989		182,987	

At 31 December 2008, the trade payables balance included an amount of HK$11,200,000 due to a jointly-controlled entity which was repayable within three months. Credit terms offered by the jointly-controlled entity are similar to those that they offered to their major customers.

30 BANK LOANS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans, unsecured, repayable:				
Within one year or on demand	**296,755**	474,976	**154,243**	154,743
In the second year	**168,776**	163,143	**136,393**	155,143
In the third to fifth years, inclusive	**67,400**	137,143	**–**	137,143
	532,931	775,262	**290,636**	447,029
Portion classified as current liabilities	**(296,755)**	(474,976)	**(154,243)**	(154,743)
Non-current portion	**236,176**	300,286	**136,393**	292,286

Unsecured bank loans of HK$13,635,000 (2008: HK$65,919,000) denominated in United States dollars carry a weighted average interest rate of 2.89% (2008: 2.51%). Unsecured bank loans of HK$49,241,000 (2008: HK$100,490,000) denominated in Japanese yen carry a weighted average interest rate of 2.04% (2008: 2.41%). Unsecured bank loan of HK$22,714,000 (2008: nil) denominated in Renminbi carry a weighted average interest rate of 5.31% (2008: nil). Same as disclosed above, all the remaining bank loans of the Group and the Company are denominated in Hong Kong dollars at a weighted average interest rate of 1.75% (2008: 2.00%) per annum. All bank loans bear floating interest rates and are repayable by instalment up to 2014. The carrying amounts of the Group's and the Company's bank loans approximate their fair values.

31 FINANCE LEASE PAYABLES

At 31 December 2008, the total future minimum lease payments under a finance lease for one of its motor vehicles and its present value were as follows:

Group

	Minimum lease payments HK$'000	Present value of Minimum lease payment HK$'000
Amounts payable:		
Within one year	21	21
Total minimum finance lease payments	21	21
Total net finance lease payables	21	
Portion classified as current liabilities	(21)	
Non-current portion	–	

The finance lease payable at 31 December 2008 was denominated in Hong Kong dollars and carried interest at an interest rate of 2.65% per annum. As at 31 December 2009, all instalments have been fully repaid.

32 DEFERRED TAX

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

Deferred tax assets

Group

	Provisions for trade receivables and inventories HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	1,255	6,124	271	7,650
Deferred tax (charged)/credited to the consolidated income statement during the year (note 12)	(935)	(2,752)	609	(3,078)
Exchange realignment	54	–	8	62
Gross deferred tax assets at 31 December 2008 and 1 January 2009	374	3,372	888	4,634
Deferred tax (charged)/credited to the consolidated income statement during the year (note 12)	(199)	(2,750)	423	(2,526)
Exchange realignment	–	–	1	1
Gross deferred tax assets at 31 December 2009	**175**	**622**	**1,312**	**2,109**

32 DEFERRED TAX (CONTINUED)

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2008	6,567	497	–	7,064
Deferred tax charged/(credited) to the consolidated income statement during the year (note 12)	(3,477)	(431)	2,799	(1,109)
Deferred tax debited to equity during the year	84	–	–	84
Exchange realignment	9	–	24	33
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009	3,183	66	2,823	6,072
Deferred tax (credited)/charged to the consolidated income statement during the year (note 12)	(3,077)	454	(2,823)	(5,446)
Deferred tax debited to equity during the year	157	–	–	157
Gross deferred tax liabilities at 31 December 2009	**263**	**520**	**–**	**783**

For the purpose of the balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	Group	
	2009 HK$'000	2008 HK$'000
Net deferred tax assets recognised in the consolidated balance sheet	**2,109**	4,634
Net deferred tax liabilities recognised in the consolidated balance sheet	**(783)**	(6,072)
	1,326	(1,438)

32 DEFERRED TAX (CONTINUED)

The Group had tax losses arising in Hong Kong of HK$12,297,000 (2008: HK$17,413,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$14,172,000 (2008: HK$9,744,000) that will expire in one to five years for offsetting against future taxable profit. Tax loss not recognised amounted to HK$2,209,000 (2008: HK$2,874,000). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate ranges from 5% to 10%. As at 31 December 2009, deferred tax liabilities in respect of these unremitted earnings amounted to approximately HK$36,600,000 (2008: HK$38,700,000) have not been recognised, given that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future because of the Group's funding plan of its PRC expansion.

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

33 DEFERRED INCOME

The deferred income amounting to HK$12,866,000 (2008: HK$13,137,000) and HK$47,368,000 (2008: HK$48,300,000) of non-cash subsidies in relation to parcels of land located in Wuxi and Nanjing, were granted by the Jiangsu Province Xishan Economic Development Management Committee and Nanjing New and Technology Industry Development Company in 2004 and 2007, respectively. The subsidies were in the form of a reduction of the consideration for the acquisition of a parcel of land in Wuxi and Nanjing, the PRC, paid by the Group.

The deferred income amount represented the fair value of the land at the date of acquisition less the total consideration paid by the Group. The purpose of the subsidies is for industrial development in these areas.

34 SHARE CAPITAL

Ordinary shares

	2009 **HK$'000**	2008 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
478,389,534 (2008: 478,088,901) ordinary shares of HK$0.10 each	**47,839**	47,809

34 SHARE CAPITAL (CONTINUED)

Ordinary shares (Continued)

A summary of the transactions involving the Company's share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2008		477,635,168	47,764	163,416	211,180
Share options exercised	(a)	450,000	45	1,329	1,374
Warrants exercised	(b)	3,733	–	8	8
At 31 December 2008 and 1 January 2009		478,088,901	47,809	164,753	212,562
Share options exercised	(a)	300,000	30	886	916
Warrants exercised	(b)	633	–	1	1
At 31 December 2009		**478,389,534**	**47,839**	**165,640**	**213,479**

Notes:

(a) Share options

Share options exercised during the year resulted in 300,000 shares being issued (2008: 450,000 shares) with exercise proceeds of HK$480,000 (2008: HK$720,000).

Details of the Company's share option scheme and the share options issued under the Share Option Scheme are included in note 35 to the consolidated financial statements.

(b) Warrants

On 18 April 2007, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 23 May 2007. The bonus warrant issue was made in the proportion of one warrant for every ten ordinary shares of the Company, resulting in 47,421,130 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$2.25 per share, subject to adjustment, from 6 June 2007 to 5 June 2009 (both days inclusive). The warrants were issued to the shareholders of the Company on 6 June 2007.

During the year, 633 warrants were exercised for 633 shares (2008: 3,733 shares) of HK$0.10 each at a price of HK$2.25 per share (2008: HK$2.25 per share), with a total cash consideration, before expenses, of approximately HK$1,000 (2008: HK$8,000). All the outstanding warrants expired on 5 June 2009.

35 SHARE OPTION SCHEME

On 26 May 2006, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible persons, including employees, directors and other persons as specified under the scheme document, who contribute to the success of the Group's operations.

The Share Option Scheme became effective on 26 May 2006 and will remain in force for 10 years from that date.

The maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of issued shares from time to time provided that the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of issued shares on 26 May 2006.

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Share Option Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval of the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value in excess of HK$5 million, is subject to prior approval from shareholders in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer, and (iii) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share options, which must be a trading day.

35 SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Share Option Scheme during the year:

	2009 Weighted average exercise price HK$ per share	**2009** Number of options	2008 Weighted average exercise price HK$ per share	2008 Number of options
At 1 January	**1.6**	**2,550,000**	1.6	3,050,000
Exercised during the year	**1.6**	**(300,000)**	1.6	(450,000)
Lapsed during the year	**–**	**–**	1.6	(50,000)
At 31 December	**1.6**	**2,250,000**	1.6	2,550,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.0300 (2008: HK$1.7433).

The exercise price and exercise periods of the share options outstanding as at the balance sheet date are as follows:

Exercise period[1]	**Exercise price**[2]	**Number of options 2009**	Number of options 2008
8-8-2006 to 25-5-2016	1.6	**1,350,000**	1,350,000
8-8-2007 to 25-5-2016	1.6	**900,000**	1,200,000
		2,250,000	2,550,000

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

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

At 31 December 2009, the Company had 2,250,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 2,250,000 additional ordinary shares of the Company and additional share capital of HK$225,000 and share premium of HK$3,375,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 2,250,000 share options outstanding under the Share Option Scheme, which represented approximately 0.47% of the Company's shares in issue as at that date.

36 RESERVES

Group

	Attributable to equity holders of the Company							
	Share premium HK$'000	Share option HK$'000	Contributed surplus[1] HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds[#] HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2009	164,753	3,712	2,800	8,638	174,925	42,069	509,421	906,318
Profit for the year	–	–	–	–	–	–	78,656	78,656
Other comprehensive income:								
Asset revaluation surplus, net of tax	–	–	–	753	–	–	–	753
Currency translation differences	–	–	–	–	4,791	–	–	4,791
Total comprehensive income for the year ended 31 December 2009	–	–	–	753	4,791	–	78,656	84,200
Share options exercised	886	(436)	–	–	–	–	–	450
Warrants exercised	1	–	–	–	–	–	–	1
Transferred from retained profits	–	–	–	–	–	3,491	(3,491)	–
2008 final dividend	–	–	–	–	–	–	(2,390)	(2,390)
2009 interim dividend	–	–	–	–	–	–	(2,391)	(2,391)
	165,640	3,276	2,800	9,391	179,716	45,560	579,805	986,188
2009 proposed final dividend	–	–	–	–	–	–	(9,568)	(9,568)
Balance at 31 December 2009	165,640	3,276	2,800	9,391	179,716	45,560	570,237	976,620

36 RESERVES (CONTINUED)

Group

	Attributable to equity holders of the Company								
	Share premium HK$'000	Share option HK$'000	Contributed surplus[1] HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds[#] HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2008	163,416	4,438	2,800	7,054	4,218	109,122	34,810	467,049	792,907
Profit for the year	–	–	–	–	–	–	–	90,197	90,197
Other comprehensive income:									
Fair value losses on available-for-sale investments, net of tax	–	–	–	–	(4,218)	–	–	–	(4,218)
Currency translation differences	–	–	–	–	–	65,803	–	–	65,803
Share of other comprehensive income of a jointly-controlled entity	–	–	–	1,584	–	–	–	–	1,584
Total comprehensive income for the year ended 31 December 2008	–	–	–	1,584	(4,218)	65,803	–	90,197	153,366
Share options exercised	1,329	(654)	–	–	–	–	–	–	675
Share options forfeited	–	(72)	–	–	–	–	–	72	–
Warrants exercised	8	–	–	–	–	–	–	–	8
Transferred from retained profits	–	–	–	–	–	–	7,259	(7,259)	–
2007 final dividend	–	–	–	–	–	–	–	(26,295)	(26,295)
2008 interim dividend	–	–	–	–	–	–	–	(14,343)	(14,343)
	164,753	3,712	2,800	8,638	–	174,925	42,069	509,421	906,318
2008 proposed final dividend	–	–	–	–	–	–	–	(2,390)	(2,390)
Balance at 31 December 2008	164,753	3,712	2,800	8,638	–	174,925	42,069	507,031	903,928

1 The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore.

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to the PRC reserve funds which are restricted as to use.

36 RESERVES (CONTINUED)

Company

	Share premium HK$'000	Share option HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	163,416	4,438	63,623	41,447	272,924
Share options exercised	1,329	(654)	–	–	675
Share options forfeited	–	(72)	–	72	–
Warrants exercised	8	–	–	–	8
Profit for the year	–	–	–	19,295	19,295
2007 final dividend	–	–	–	(26,295)	(26,295)
2008 interim dividend	–	–	–	(14,343)	(14,343)
	164,753	3,712	63,623	20,176	252,264
2008 proposed final dividend	–	–	–	(2,390)	(2,390)
At 31 December 2008	164,753	3,712	63,623	17,786	249,874
At 1 January 2009	164,753	3,712	63,623	20,176	252,264
Share options exercised	886	(436)	–	–	450
Warrants exercised	1	–	–	–	1
Loss for the year	–	–	–	(1,464)	(1,464)
2008 final dividend	–	–	–	(2,390)	(2,390)
2009 interim dividend	–	–	–	(2,391)	(2,391)
	165,640	3,276	63,623	13,931	246,470
2009 proposed final dividend	–	–	–	(9,568)	(9,568)
At 31 December 2009	**165,640**	**3,276**	**63,623**	**4,363**	**236,902**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

37 BUSINESS COMBINATION

In October 2008, the Group acquired certain assets and liabilities from a third party which engages in the manufacture and trading of electronic components in Mainland China. The purchase consideration for the acquisition was RMB28,000,000 (approximately HK$31,750,000) and was settled in cash.

The fair values of the assets acquired and liabilities and contingent liabilities was RMB28,000,000 (approximately HK$31,750,000) from the fair value appraisal. The carrying amounts of the assets and liabilities immediately before the acquisition were as follows:

	Note	**Carrying amount and fair value** HK$'000
Property, plant and equipment	16	32,928
Inventories		18,806
Trade receivables		16,653
Prepayments, deposits and other receivables		689
Cash and bank balances		4,358
Trade payables		(35,300)
Other payables and accrued liabilities		(6,384)
		31,750
Accounted for and satisfied by cash		31,750

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	HK$'000
Cash consideration	31,750
Less: Prepaid in the prior year	(8,543)
	23,207
Cash and bank balances acquired	(4,358)
	18,849

Since its acquisition, no turnover nor profit were contributed to the Group for the year ended 31 December 2008.

38 CORPORATE GUARANTEES

The Company provides guarantees to the extent of HK$1,133,086,000 (2008: HK$1,140,499,000) in respect of banking facilities granted to its subsidiaries, and approximately HK$248,107,000 (2008: HK$339,111,000) of which was utilised at the balance sheet date.

39 OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, factory premises, and warehouses under operating lease arrangements. Leases for office properties, factory premises, and warehouses are negotiated for terms ranging from one to twenty years.

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**8,370**	16,834
In the second to fifth years, inclusive	**10,760**	11,744
After five years	**5,315**	8,339
	24,445	36,917

At 31 December 2009, the Company had no operating lease commitment (2008: Nil).

40 COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2009	2008
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**36,204**	32,026
Buildings	**5,659**	1,599
Land	**1,158**	1,156
Leasehold improvements	**–**	517
	43,021	35,298
Contracted, but not provided for:		
Unpaid capital contributions to subsidiaries	**–**	5,670

At 31 December 2009, the Company had no capital commitments (2008: Nil).

41 RELATED PARTY TRANSACTIONS

As at 31 December 2009, Man Yue Holdings Inc. had a 43.83% equity interest in the Company as the single largest shareholder. The ultimate controlling party of the Company is Ms. Kee Chor Lin, a director of the Company.

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with its jointly-controlled entities and associate:

	Notes	**2009**	2008
		HK$'000	HK$'000
Jointly-controlled entities:			
Purchases of raw materials	(i)	**46,978**	32,344
Sales of raw materials	(i)	**13,812**	16,914
Rental expenses	(ii)	**10,897**	24,285
Interest income received	(iii)	**2,208**	1,537
Associate:			
Sales of finished goods	(i)	**764**	31,539

Notes:

(i) The above purchases and sales of raw materials and sales of finished goods were carried out according to terms similar to those offered by other customers and suppliers.

(ii) The rental was charged out at rates with mark-to-market yield.

(iii) The interest was charged out at a rate of 5.76% (2008: 6.84%) per annum.

(b) Remuneration for key management personnel (excluding directors' remuneration, details of whose remuneration are set out in notes 10 and 11 of the consolidated financial statements of the Group):

	2009	2008
	HK$'000	HK$'000
Salaries and allowances	**1,273**	2,615
Discretionary bonus	**49**	–
Pension scheme contributions	**12**	24
Total remuneration for key management personnel	**1,334**	2,639

42 FINANCIAL INSTRUMENTS BY CATEGORY

Other than available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments as disclosed in notes 25, 26 and 27 of the consolidated financial statements that are stated at fair values, all other financial assets and liabilities of the Group and the Company as at 31 December 2009 and 2008 are loans and receivables that are stated at amortised costs.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has certain financial instruments, including bank loans and cash and short term deposits, of which main purpose is to fund the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. These forward currency contracts are not qualified as hedging for accounting purposes.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3 to the consolidated financial statements.

Foreign currency risk

The Group's reporting currency is Hong Kong dollars and it conducts some of its business transactions in other transactional currencies such as United States dollars and Japanese Yen. Some of its sales proceeds were received in United States dollars and some of the purchases are conducted in Japanese Yen, Renminbi and United States dollars. As United States dollars are closely pegged with Hong Kong dollars throughout the year under review, so the currency exposure in this respect is considered not significant. About 29% (2008: 26%) of the Group's expenditures are denominated in Renminbi. The impacts of Renminbi appreciation are alleviated by sales proceeds as about 25% (2008: 14%) of the Group's sales receipts are denominated in Renminbi. About 18% (2008: 17%) of the Group's purchases are denominated in Japanese Yen. Accordingly, the Group uses forward currency contracts to mitigate a proportion of its Japanese Yen exposures with reference to the cash flow forecasts. The Group does not speculate on foreign currencies.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change on translation of Japanese Yen denominated bank loans, trade payables and Renminbi denominated trade receivables, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in Japanese Yen rate	**(Decrease)/ increase in profit before tax**
	%	HK$'000
2009		
If Hong Kong dollar weakens against Japanese Yen	**5**	**(1,194)**
If Hong Kong dollar strengthens against Japanese Yen	**(5)**	**1,194**
2008		
If Hong Kong dollar weakens against Japanese Yen	5	(5,154)
If Hong Kong dollar strengthens against Japanese Yen	(5)	5,154

	Increase in RMB rate	**Increase in profit before tax**
	%	HK$'000
2009		
If Hong Kong dollar weakens against RMB	**3**	**12,921**
If Hong Kong dollar weakens against RMB	**5**	**21,536**
2008		
If Hong Kong dollar weakens against RMB	3	16,685
If Hong Kong dollar weakens against RMB	5	27,808

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to their bank loan obligations with floating interest rates. In 2009, to manage any exposure arising from the changes in market interest rates, the Group enters into interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. This interest rate swap is not qualified as hedging for accounting purposes. No interest rate swap was entered in 2008.

	Increase/ (decrease) in basis points	**Group (Decrease)/ increase in profit before tax** HK$'000	**Company (Decrease)/ increase in profit before tax** HK$'000
2009			
Hong Kong dollar	**100**	**(4,473)**	**(2,906)**
Japanese Yen	**100**	**(492)**	**–**
US dollar	**100**	**(136)**	**–**
Renminbi	**100**	**(227)**	**–**
Hong Kong dollar	**(100)**	**4,473**	**2,906**
Japanese Yen	**(100)**	**492**	**–**
US dollar	**(100)**	**136**	**–**
Renminbi	**(100)**	**227**	**–**

	Increase/ (decrease) in basis points	Group (Decrease)/ increase in profit before tax HK$'000	Company (Decrease)/ increase in profit before tax HK$'000
2008			
Hong Kong dollar	100	(6,089)	(4,470)
Japanese Yen	100	(1,005)	–
US dollar	100	(659)	–
Hong Kong dollar	(100)	6,089	4,470
Japanese Yen	(100)	1,005	–
US dollar	(100)	659	–

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	2009		
	Within 1 year or on demand	**1 to 5 years**	**Total**
	HK$'000	HK$'000	HK$'000
Trade payables	**151,989**	**–**	**151,989**
Other payables and accrued liabilities	**72,499**	**–**	**72,499**
Derivative financial instruments	**296**	**–**	**296**
Bank loans	**304,081**	**239,083**	**543,164**
Dividend payables	**19**	**–**	**19**
	528,884	**239,083**	**767,967**

	2008		
	Within 1 year or on demand	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000
Trade payables	182,987	–	182,987
Other payables and accrued liabilities	78,879	–	78,879
Derivative financial instruments	1,308	–	1,308
Bank loans	485,554	307,027	792,581
Finance lease payables	21	–	21
Dividend payables	5,078	–	5,078
	753,827	307,027	1,060,854

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Company

	2009		
	Within 1 year or on demand HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
Due to subsidiaries	**59,675**	**–**	**59,675**
Other payables and accrued liabilities	**13,486**	**–**	**13,486**
Bank loans	**158,821**	**136,613**	**295,434**
Corporate guarantee	**148,712**	**99,395**	**248,107**
Dividend payables	**19**	**–**	**19**
	380,713	**236,008**	**616,721**

	2008		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to subsidiaries	59,870	–	59,870
Other payables and accrued liabilities	16,258	–	16,258
Bank loans	163,224	298,952	462,176
Corporate guarantee	339,111	–	339,111
Dividend payables	5,078	–	5,078
	583,541	298,952	882,493

Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfil its obligation thereby incurring financial loss to the Group. The Group manages the credit risk by setting up a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group has entered into credit insurance contracts with the Hong Kong Export Credit Insurance Corporation and other financial institutions to mitigate the credit risk arising from the receivable balances.

In addition, it is the Group's policy to review regularly the recoverable amount of trade receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the consolidated financial statements.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group prices its products and services commensurately with the level of risk and secures access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a balance between high shareholder returns that might be possible with high levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to capital ratio. For this purpose, the Group defines net debt as interest-bearing debt (which includes bank loans, and obligations under finance leases), less cash and cash equivalents.

During 2009, the Group's strategy, are to strengthen the net debt to equity ratio compare to 2008, at the lower end of the range of 20% to 30% In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Group

	2009 **HK$'000**	2008 HK$'000
Bank loans	**532,931**	775,262
Finance lease payables	**–**	21
Less: Cash and cash equivalents	**(364,427)**	(406,466)
Net debt	**168,504**	368,817
Equity attributable to equity holders of the Company	**1,034,027**	954,127
Net debt to capital ratio	**16.3%**	38.7%

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value

(i) Financial instruments carried at fair value

HKFRS 7 require disclosure of fair value measurement by level of the following fair value measurement hierarchy:

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

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

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Assets				
Financial assets at fair value through profit or loss	83	–	–	83
Derivative financial instruments:				
– Interest rate swap	–	28	–	28
– Forward exchange contracts	–	637	–	637
Total assets	83	665	–	748
Liabilities				
Derivative financial instruments:				
– Forward exchange contracts	–	296	–	296
Total liabilities	–	296	–	296

During the year there were no significant transfers between instruments in Level 1 and Level 2.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

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

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(b) *Derivatives*

Forward exchange contracts are marked to market. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(c) *Corporate guarantees*

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services.

44 COMPARATIVE AMOUNTS

Certain comparative amounts in the consolidated income statement have been reclassified to conform with the changes in presentation in the current year and to ensure proper classification in accordance with the accounting policies. The effect of the reclassification on the consolidated income statement for the year ended 31 December 2008 is set out below:

	HK$'000
Decrease in other income	(7,308)
Decrease in revenue	(444)
Increase in other losses, net	(7,926)
Decrease in administrative expenses	15,678
	–

Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,001,258**	1,285,535	1,380,334	1,239,119	1,104,134
Profit before tax	**83,945**	107,123	142,933	135,523	106,730
Tax	**(5,739)**	(16,926)	(7,168)	(13,866)	(11,034)
Profit for the year	**78,206**	90,197	135,765	121,657	95,696
Attributable to:					
Equity holders of the Company	**78,656**	90,197	135,765	121,657	95,696
Minority interests	**(450)**	–	–	–	–
	78,206	90,197	135,765	121,657	95,696

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,862,419**	2,077,490	1,880,439	1,236,164	1,026,152
Total liabilities	**(824,149)**	(1,117,240)	(1,039,768)	(629,861)	(581,711)
Minority interests	**(4,243)**	(6,123)	–	–	–
	1,034,027	954,127	840,671	606,303	444,441