TOMORROW INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 760)

2009
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

YAU Tak Wah, Paul *(Chairman)*
LOUIE Mei Po
WONG Shin Ling, Irene
LIU Yee Nee

Independent Non-executive Directors

NG Wai Hung
CHEUNG Chung Leung, Richard
WU Wang Li

COMPANY SECRETARY

LIU Yee Nee

AUDITORS

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road
Central
Hong Kong

LEGAL ADVISER IN HONG KONG

Vincent T.K. Cheung, Yap & Co.

LEGAL ADVISER ON BERMUDA LAW

Conyers, Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1211, 12th Floor
Tower 1, New World Tower
18 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Room 1901 – 1905
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Credit Suisse
Bank of East Asia Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
LGT Bank in Liechtenstein (Singapore) Ltd.
The Hongkong and Shanghai Banking Corporation Limited
UBS

CHAIRMAN'S STATEMENT

The board of directors (the "Board") of Tomorrow International Holdings Limited (the "Company") announces the 2009 audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

RESULTS

The Group's loss attributable to the owners of the Company for the year was HK$8.4 million (2008: loss of HK$180.1 million).

Loss per share amounted to HK0.37 cents, as compared with loss per share of HK8.01 cents in previous year. As at 31 December 2009, the Group's net cash position amounted to HK$636.4 million (2008: HK$643.9 million) representing 86.0% (2008 : 87.1%) of the equity attributable to equity holders of the Company of HK$739.8 million (2008: HK$739.5 million).

BUSINESS REVIEW

Affected by the financial tsunami in the last quarter of 2008, the global market appeared to remain pessimistic in year 2009. Overall performance of the electronic products division remained unsatisfactory. Electronic products division recorded operational loss of HK$1.9 million in year 2009. Turnover of electronic products division for the year was HK$281.9 million (2008: HK$366.2 million), representing 23% decreased as compared with last year. In addition, the collection period was lengthened from 2008's 32.3 days to 2009's 38.5 days. Facing the adverse market condition, the Company has paid extra efforts in cost control. As a result, the Group's administrative and other operating expenses have reduced by 29% and the stock turnover days were also shortened from 62 days to 53 days.

To enhance the income stream, the Group has restarted its equity investments business in the fourth quarter of 2008. The segmental profit for the year was HK$676,000 (2008 : $2.8 million).

Loan financing business remained inactive during the year.

The printed circuit boards division was terminated during year 2008 and has disposed the entire equity interest on 5 January 2009 due to unsatisfactory performance of the division.

FUTURE PLANS

The administrative cost saving measures imposed by the Electronic products division has proved to be effective in year 2009 and the Company will continue to keep the cost down. Although the global economic market starts recovery, the market is still unstable and rife with uncertainty. The material cost and labour cost has gone up, with gross margin of the division reduced from 17.8% in 2008 to 16.6% in 2009. We expect the trend of increase in direct costs will continue, especially the minimum wages in China is expected to increase by at least 20% in mid 2010. Electronic products division will continue to explore new markets and develop new product line to cope with the market demand. Nevertheless, it is foreseeable that the electronic products division remain to face a tough business environment.

The economy of 2010 is still challenging. The Company remains positive about the future and believes the worst has been over. Moreover, the Company is actively exploring investment opportunities so as to enhance the value of the Company and shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, cash and bank balances (including time deposits) maintained by the Group were HK$636.4 million (2008: HK$643.9 million), representing a decrease of HK$7.5 million compared with the position as at 31 December 2008. It is believed that the Group has adequate cash resources to meet the normal working capital requirements and all commitments of future development. The gearing of the Group, measured as total debts to total assets, was 7.2% as at 31 December 2009, comparing with 13.4% as at 31 December 2008.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 2009, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed approximately 1,230 employees, with about 1,179 in the Mainland China and 51 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. YAU Tak Wah, Paul — Chairman, aged 54, is the founder of the Group and is primarily responsible for corporate strategic planning. He holds a bachelor of science degree in mechanical engineering and has more than 24 years' experience in the electronics industry. Before he established the Group, Mr. Yau worked as design engineer in a renowned US electronics company operating in Hong Kong where he gained invaluable experience in production design and established close business relationships with various electronics manufacturers in Hong Kong.

Ms. LOUIE Mei Po — Director, aged 42, is responsible for business investment and development of the Group. Ms. Louie holds a master's degree in Business Administration and a bachelor's degree in Social Science from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Louie was the executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She has over 14 years' experience in business investment and development. She joined the Group in February 2000.

Ms. WONG Shin Ling, Irene — Director, aged 49, is responsible for management and administration of the Group. Ms. Wong has over 16 years of experience in the field of property development and management. Prior to joining the Group, she was an executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She joined the Group in February 2000.

Ms. LIU Yee Nee — Director, aged 44, is responsible for finance and is the company secretary of the Group. Ms. Liu holds a master degree of Business Administration from the Hong Kong University of Science & Technology and is a member of The Chartered Institute of Management Accountants, The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Institute of Chartered Secretaries & Administrators and The Hong Kong Institute of Company Secretaries and has over 21 years experience in the field of accounting and management. She joined the Group in August 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Wai Hung — Director, aged 46, is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies. He frequently advises multinational and Hong Kong corporations on private equity investments, joint ventures as well as regulatory compliance. He joined the Group in March 2000. He is an independent non-executive director of Fortune Sun (China) Holdings Limited (Stock Code: 352), HyComm Wireless Limited (Stock Code: 499) and KTP Holdings Limited (Stock Code: 645).

Mr. CHEUNG Chung Leung, Richard — Director, aged 56, has 33 years of experience as an architect and real estate investment adviser. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor of Architecture. He is a member of the Hong Kong Institute of Architects and a Registered Architect pursuant to the Architects Registration Ordinance. He is an executive director of Waytung Global Group Limited (Stock Code: 21), a company listed on the main board of the Hong Kong Stock Exchange. He joined the Group in March 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WU Wang Li — Director, aged 35, has over 11 years of experience in the auditing and accounting profession and consulting services. He is a director of Skywise Consultants Limited and is admitted to the status of Certified Practising Accountant of CPA Australia. He joined the Group in September 2004. He is an independent non-executive director of HyComm Wireless Limited (Stock Code: 499) which is listed on the main board of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. WEI, Andrew Yick Siu, aged 40, is the business development director with more than 18 years experience in Japanese market. He graduated from the University of Toronto in 1992 with a bachelor degree in Arts & Science. Mr. Wei worked in various leading Japanese trading companies and buying offices in the electronics field before joining the Group in 2000.

Mr. KIANG Shun Hung, aged 39, is the marketing director, responsible for the sales operation and marketing activities of the Group's electronics product division and ODM/OEM product development team. He holds a bachelor of degree in social sciences and has over 16 years' sales and marketing experience in consumer electronics business. He joined the Group in 1998.

Mr. LEUNG Hung Tat, aged 44, is the general manager, responsible for the manufacturing operations of the Group's electronic products division. He holds a master degree in engineering management and has over 10 years experience in quality system management. He joined the Group in 1995.

Mr. Lam Kam Wan, aged 42, is the senior R&D manager, responsible for the Group's product design and development and technical support. He holds a bachelor degree in electronic engineering and has over 15 years experience in electronic product development. He joined the Group in 2009.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the trading of listed equity investments and commodities and the provision of loan financing. The Group's manufacture and sale of printed circuit boards business was ceased during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 16 to 88. The Board does not recommend the payment of any dividend in respect of the year (2008: Nil).

SUMMARY FINANCIAL INFORMATION

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Assets and liabilities					
Property, plant and equipment and leasehold land and land use rights	**66,041**	66,984	97,383	104,509	113,485
Investment properties	**—**	—	—	18,542	28,750
Interests and amount due from an associate	**—**	—	151,367	151,367	156,892
Prepaid rental	**—**	—	429	1,166	1,903
Deferred product development costs	**937**	1,000	7,880	8,387	6,819
Loans receivable	**—**	—	—	562	1,000
Deposits for acquisition of property, plant and equipment	**3,707**	—	—	—	—
Available-for-sale financial assets	**2,815**	1,901	46,066	33,612	27,364
Current assets	**724,053**	794,720	825,204	774,051	594,650
Total assets	**797,553**	864,605	1,128,329	1,092,196	930,863
Current liabilities	**55,592**	113,182	156,224	135,634	132,044
Provision for long service payment	**2,160**	2,963	570	570	570
Deferred tax	**—**	—	—	1,319	2,053
Obligations under financial lease	**39**	100	132	—	—
Total liabilities	**57,791**	116,245	156,926	137,523	134,667
Net assets	**739,762**	748,360	971,403	954,673	796,196

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 30 to the financial statements.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$320,928,000. In addition, there is HK$365,359,000 in the Company's share premium account, whether appropriate to state in 2008.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 57.5% (2008: 56.4%) of the total sales for the year and sales to the largest customer included therein amounted to 30.2% (2008: 23.5%) of the total sales. Purchases from the Group's five largest suppliers accounted for 26.4% (2008: 24.9%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 6.4% (2008: 7.8%) of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Yau Tak Wah, Paul *(Chairman)*
Ms. Louie Mei Po
Ms. Wong Shin Ling, Irene
Ms. Liu Yee Nee

Independent non-executive directors

Mr. Ng Wai Hung
Mr. Cheung Chung Leung, Richard
Mr. Wu Wang Li

In accordance with the Company's bye-laws, Ms. Wong Shin Ling, Irene, Ms. Liu Yee Nee and Mr. Ng Wai Hung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 5 to 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wu Wang Li, an independent non-executive director, has renewed his service contract with the Company for a term of one year from 27 September 2009 and subject to rotation and re-election in accordance with the bye-laws of the Company. The annual director fee is HK$120,000.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

On the date of this report, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of part XV of the Securities and Future 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 Companies, were as follows:

Director	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Yau Tak Wah, Paul	2,000,000	0.09
Ms. Louie Mei Po (Ms. Louie)	11,785,710	0.52
Ms. Wong Shin Ling, Irene (Ms. Wong)	13,000,000	0.58

On September 2007, each of Ms. Louie and Ms. Wong was granted a share option, which both of them were entitled to 22,470,000 shares at the option price of HK$0.296 each. The option period is 25 September 2007 to 24 September 2012.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SECURITIES

Save as disclosed in the share option scheme disclosures in note 30 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

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' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

On the date of this report, the following interest of 5% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Winspark Venture Limited	1	996,509,340	44.33%

Note:

(1) The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Mr. Chan Yuen Ming.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 11 to 13.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

AUDITORS

A resolution for the re-appointment of Grant Thornton as the auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Yau Tak Wah, Paul
Chairman

16 April 2010

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes effort to identifying and formalising best practices. The Company has applied the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules.

THE BOARD

To protect and enhance shareholder value, the Board acts with integrity and due care for the best interests of the Company and its shareholders. The Board is collectively responsible for leadership and for promoting the success of the Company by directing and supervising its affairs. Leading the Group in a responsible and effective manner, the Board adopts formal terms of reference which detail its functions and responsibilities, including, but not limited to, ensuring competent management, approving objectives, strategies and business plans and monitoring integrity in the Company's conduct of affairs.

During the financial year ended 31 December 2009, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is as follows:

	The Board		Audit Committee	
	Number of meeting	Attendance	Number of meeting	Attendance
Executive Director				
Mr. Yau Tak Wah, Paul *(Chairman of the Board)*	4	4	4	N/A
Ms. Louie Mei Po	4	4	4	N/A
Ms. Wong Shin Ling, Irene	4	4	4	N/A
Ms. Liu Yee Nee	4	4	4	2
Independent non-executive Director				
Mr. Ng Wai Hung *(Chairman of the Audit Committee)*	4	4	4	4
Mr. Cheung Chung Leung, Richard	4	4	4	4
Mr. Wu Wang Li	4	4	4	4

Currently, the Company does not appoint chief executive officer. In view of the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for benefits of the Group.

Moreover, the day-to-day operation of the Group's businesses are shared among those executive directors and the management of the Company. Therefore, there should be a clear division of the responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Together with a balanced of skill and experience for the business of the Group, a balanced composition of executive and independent non-executive director of the Board shall exercise effective independent judgment. The Board comprises of seven directors, of which four are executive directors, namely Mr. Yau Tak Wah, Paul, Ms. Louie Mei Po, Ms. Wong Shin Ling, Irene, and Ms. Liu Yee Nee and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Cheung Chung Leung, Richard and Mr. Wu Wang Li.

CORPORATE GOVERNANCE REPORT

During the period, two independent non-executive directors of the Company, namely Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, are not appointed for any specific fixed term and one independent non-executive director, Mr. Wu Wang Li, is appointed for the term of one year from 27 September 2009. In accordance with the bye-laws of the Company, at each annual general meeting of the Company one third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code A4.1 and 4.2.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The management is obliged to supply the Board with adequate information in a timely manner to enable the members to make informed decisions and to discharge their duties and responsibilities. Each director has separate and independent access to the Group's senior management to acquire more information and to make further enquiries if necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Currently, there is no remuneration committee in the Board. Meanwhile, the Board conducts an informal assessment of the individual director's contribution so that no director decides his or her own remuneration and their remuneration has been relatively stable in the past years. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.

ACCOUNTABILITY AND AUDIT

The Board is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Board has adopted Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The audit committee comprises three independent non-executive directors (the "Audit Committee") and reports to the board of directors. The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the adequacy and effectiveness of the internal control systems and focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The fee payable to the Company's auditors, Grant Thornton, in respect of audit services for the year ended 31 December 2009 amounted to HK$760,000.

INTERNAL CONTROL

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls, risk management functions and adequacy of training, resources, qualifications and experience of staff of accounting and financial reporting functions. Areas for improvement have been identified and appropriate measures taken so as to safeguard the shareholders' investment and the Company's assets.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

COMMUNICATION WITH SHAREHOLDER

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public at large, the Company maintains a website (http://www.tihl.com.hk) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and shareholders circulars are being made available.

All shareholders of the Company are given at least 21 days notice of the date and venue of the annual general meeting. According to the Listing Rules, the Board will conduct voting at the forthcoming annual general meeting by vote and will amend the Bye-laws accordingly.

The Board is endeavour to maintain an on-going dialogue with shareholders. The chairman of the Board and member of the Audit Committee should attend the annual general meeting to answer questions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having make specific enquiries of all directors of the Company, they have confirmed that they complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Tomorrow International Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tomorrow International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 88, which comprise the consolidated and company statements of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

INDEPENDENT AUDITORS' REPORT

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

16 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	6	**294,199**	366,226
Cost of sales		**(246,330)**	(300,573)
Gross profit		**47,869**	65,653
Other revenue and net income	7	**11,692**	26,577
Gain on disposal of available-for-sale financial assets		**–**	8,000
Impairment loss on available-for-sale financial assets	19(b)	**–**	(1,549)
Distribution costs		**(6,016)**	(7,241)
Administrative and other operating expenses		**(68,998)**	(97,640)
Operating loss		**(15,453)**	(6,200)
Impairment loss on an other receivable		**–**	(151,367)
Loss before income tax	8	**(15,453)**	(157,567)
Income tax expense	11	**(388)**	(10,181)
Loss for the year from continuing operations, attributable to the owners of the Company		**(15,841)**	(167,748)
Discontinued operations			
Gain/(loss) for the year from discontinued operations, attributable to the owners of the Company	12	**7,455**	(12,325)
Loss for the year, attributable to the owners of the Company	13	**(8,386)**	(180,073)
Other comprehensive income			
Release of translation reserve upon disposal of subsidiaries		**146**	–
Surplus on revaluation of buildings		**7,627**	199
Surplus/(deficit) on available-for-sale financial assets		**914**	(31,307)
Realisation of change in fair value of available-for-sale financial assets		**–**	(11,309)
Exchange loss on translation of financial statements of foreign operations		**–**	(553)
Other comprehensive income for the year		**8,687**	(42,970)
Total comprehensive income for the year, attributable to the owners of the Company		**301**	(223,043)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009 (Continued)

	Notes	2009 HK$'000	2008 HK$'000
		HK cents	HK cents
Basic earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the year	14		
From continuing operations		**(0.70)**	(7.46)
From discontinued operations		**0.33**	(0.55)
From continuing and discontinued operations		**(0.37)**	(8.01)
Diluted loss per share for loss attributable to the owners of the Company during the year	14		
From continuing operations		**N/A**	N/A
From discontinued operations		**N/A**	N/A
From continuing and discontinued operations		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**56,992**	57,683
Leasehold land and land use rights	16	**9,049**	9,301
Deferred product development costs	18	**937**	1,000
Deposits for acquisition of property, plant and equipment	23	**3,707**	–
Available-for-sale financial assets	19	**2,815**	1,901
		73,500	69,885
Current assets			
Leasehold land and land use rights	16	**252**	252
Financial assets at fair value through profit or loss	20	**11,157**	4,012
Inventories	21	**38,929**	52,425
Trade and bill receivables	22	**31,006**	32,408
Prepayments, deposits and other receivables	23	**6,116**	9,041
Tax recoverable		**158**	–
Cash and cash equivalents	24	**636,435**	643,884
		724,053	742,022
Assets of a disposal group classified as held for sale	12	**–**	52,698
		724,053	794,720
Current liabilities			
Trade payables	25	**(31,765)**	(34,403)
Accruals and other payables		**(22,955)**	(26,355)
Provision for tax		**(824)**	(1,069)
Obligations under finance lease	31	**(48)**	(55)
		(55,592)	(61,882)
Liabilities of a disposal group classified as held for sale	12	**–**	(51,300)
		(55,592)	(113,182)
Net current assets		**668,461**	681,538
Total assets less current liabilities		**741,961**	751,423

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009 (Continued)

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Provision for long service payment	26	**(2,160)**	(2,963)
Obligations under finance lease	31	**(39)**	(100)
		(2,199)	(3,063)
Net assets		**739,762**	748,360
EQUITY			
Share capital	28	**8,991**	8,991
Reserves	29	**730,771**	730,470
Equity attributable to the Company's owners		**739,762**	739,461
Minority interest		**–**	8,899
Total equity		**739,762**	748,360

Yau Tak Wah, Paul
Director

Louie Mei Po
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**–**	–
Interests in subsidiaries	17	**93,316**	93,316
		93,316	93,316
Current assets			
Amounts due from subsidiaries	17	**184,941**	117,222
Prepayments, deposits and other receivables	23	**534**	976
Tax recoverable		**14**	14
Cash and cash equivalents	24	**435,775**	534,997
		621,264	653,209
Current liabilities			
Accruals and other payables		**(2,029)**	(2,120)
Amounts due to subsidiaries	17	**–**	(9,654)
		(2,029)	(11,774)
Net current assets		**619,235**	641,435
Total assets less current liabilities		**712,551**	734,751
Non-current liability			
Provision for long service payment	26	**(230)**	(230)
Net assets		**712,321**	734,521
EQUITY			
Share capital	28	**8,991**	8,991
Reserves	29	**703,330**	725,530
Total equity		**712,321**	734,521

Yau Tak Wah, Paul
Director

Louie Mei Po
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
(Loss)/profit before income tax			
From continuing operations		**(15,453)**	(157,567)
From discontinued operations	12	**7,455**	(12,305)
		(7,998)	(169,872)
Adjustments for :			
Interest income on financial assets carried at amortised costs	7	**(4,902)**	(14,917)
Other interest income on financial assets carried at amortised costs	7	**(42)**	(226)
Dividend income from listed investments	7	**(45)**	(622)
Gain on disposal of subsidiaries	7/12	**(7,455)**	(1,000)
Gain on disposal of an associate	7	**–**	(5)
Gain on disposal of available-for-sale financial assets		**–**	(8,000)
Gain on disposal of property held for sale	7	**–**	(2,961)
Gain on disposal of property, plant and equipment	8	**(286)**	(75)
Unrealised loss on financial assets at fair value through profit or loss	8	**2,962**	598
Depreciation on property, plant and equipment			
– Owned assets	8	**9,321**	17,346
– Leased assets	8	**55**	45
Loss on disposal of property, plant and equipment	8	**3,276**	2,163
Amortisation of leasehold land and land use rights	8	**252**	252
Amortisation of prepaid rental	8	**–**	429
Amortisation of capitalised deferred product development costs		**1,128**	7,848
Write back of provision for slow moving inventories	8	**–**	(370)
Provision for slow moving inventories	8	**1,878**	–
Provision for impairment of an other receivable recognised		**–**	151,367
Provision for impairment of trade receivables recognised	8	**–**	967
Reversal of provision for impairment of trade receivables	7	**(455)**	–
Impairment loss on available-for-sale financial assets		**–**	1,549
Operating loss before working capital changes		**(2,311)**	(15,484)
Decrease in inventories		**11,618**	9,489
Decrease in trade and bill receivables		**1,857**	1,893
Decrease in loans receivable		**–**	11,372
Decrease in prepayments, deposits and other receivables		**1,925**	12,397
Decrease in trade payables		**(2,638)**	(14,173)
(Decrease)/increase in accruals and other payables		**(3,400)**	18,530
Increase in amount due to a related company		**–**	3,033
(Decrease)/increase in provision for long service payment		**(803)**	2,393
Cash generated from operations		**6,248**	29,450
Income tax paid		**(791)**	(60,825)
Net cash generated from/(used in) operating activities		**5,457**	(31,375)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009 (Continued)

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,627)**	(7,696)
Increase in deposits for acquisition of property, plant and equipment		**(3,707)**	–
Additions to deferred product development costs		**(1,065)**	(968)
Proceeds from disposal of property, plant and equipment		**579**	1,399
Proceeds from disposal of subsidiaries		**1,100**	–
Proceeds from disposal of an associate		**–**	5
Proceeds from disposal of available-for-sale financial assets		**–**	8,000
Proceeds from disposal of property held for sale		**–**	8,400
Increase in financial assets at fair value through profit or loss		**(10,107)**	(4,610)
Interest received		**4,902**	14,917
Other interest received		**42**	226
Dividend received		**45**	622
Net cash (used in)/generated from investing activities		**(12,838)**	20,295
Cash flows from financing activity			
Repayment of obligations under finance lease		**(68)**	(22)
Net cash used in financing activity		**(68)**	(22)
Net decrease in cash and cash equivalents		**(7,449)**	(11,102)
Cash and cash equivalents at 1 January		**643,884**	657,200
Effect of foreign exchange rate changes		**–**	(553)
Cash and cash equivalents at 31 December		**636,435**	645,545
Analysis of cash and cash equivalents			
Bank balances and cash of continuing operations	24	**636,435**	643,884
Bank balances and cash included in assets classified as held for sale	12	**–**	1,661
		636,435	645,545

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium* HK$'000	Currency translation reserve* HK$'000	Capital reserve* HK$'000	Contributed surplus* HK$'000	Capital redemption reserve* HK$'000	Property revaluation reserve* HK$'000	Fair value reserve for available-for-sale financial assets* HK$'000	Share-based compensation reserve* HK$'000	Retained profit* HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1 January 2008	8,991	365,359	(1,080)	801	283,208	77	3,813	44,517	16,966	239,852	962,504	8,899	971,403
Loss for the year	–	–	–	–	–	–	–	–	–	(180,073)	(180,073)	–	(180,073)
Other comprehensive income													
– Arising from revaluation of buildings	–	–	–	–	–	–	199	–	–	–	199	–	199
– Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(31,307)	–	–	(31,307)	–	(31,307)
– Realisation of change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(11,309)	–	–	(11,309)	–	(11,309)
– Exchange loss on translation of financial statements of foreign operations	–	–	(553)	–	–	–	–	–	–	–	(553)	–	(553)
Total comprehensive income for the year	–	–	(553)	–	–	–	199	(42,616)	–	(180,073)	(223,043)	–	(223,043)
At 31 December 2008	8,991	365,359	(1,633)	801	283,208	77	4,012	1,901	16,966	59,779	739,461	8,899	748,360
At 1 January 2009	8,991	365,359	(1,633)	801	283,208	77	4,012	1,901	16,966	59,779	739,461	8,899	748,360
Disposal of subsidiaries (note 12)	–	–	–	–	–	–	–	–	–	–	–	(8,899)	(8,899)
Loss for the year	–	–	–	–	–	–	–	–	–	(8,386)	(8,386)	–	(8,386)
Other comprehensive income													
– Release of translation reserve upon disposal of subsidiaries	–	–	146	–	–	–	–	–	–	–	146	–	146
– Arising from revaluation of buildings	–	–	–	–	–	–	7,627	–	–	–	7,627	–	7,627
– Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	914	–	–	914	–	914
Total comprehensive income for the year	–	–	146	–	–	–	7,627	914	–	(8,386)	301	–	301
At 31 December 2009	**8,991**	**365,359**	**(1,487)**	**801**	**283,208**	**77**	**11,639**	**2,815**	**16,966**	**51,393**	**739,762**	**–**	**739,762**

* These reserve accounts comprise the consolidated reserves of approximately HK$730,771,000 (2008: HK$730,470,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. GENERAL INFORMATION

Tomorrow International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

On 5 January 2009, the Group completed the disposal of its operating segment of manufacture and sale of printed circuit boards ("PCBs"). Such operating segment and the associated assets and liabilities were classified as discontinued operations and assets and liabilities of a disposal group classified as held for sale for the year ended 31 December 2008 respectively.

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 16 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 16 to 88 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for buildings and financial instruments classified as available-for-sale or at fair value through profit or loss which are stated as fair value. Inventory in respect of precious metal is stated at fair value less cost to sell. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.3 below) made up to 31 December.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

2.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

The financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the currency translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.5 Revenue recognition

Revenue comprises the fair value for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Revenue recognition *(Continued)*

Revenue arising from the sale of property held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under forward sales deposits and instalments received.

Revenue from sales of listed investments are recognised upon transfer of the ownership to others. Trading fees and trading tariff on securities are recognised on trade date basis.

Revenue from trading of precious metal is recognised, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership; nor effective control over the goods sold.

2.6 Property, plant and equipment

Buildings situated on land held under operating leases are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any surplus arising on revaluation of buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 2.7. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease recognised in profit or loss.

Buildings held under leasing agreements are depreciated over their expected useful lives or over the term of lease, if shorter.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Depreciation on other assets, other than CIP, is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	2 – 2.5%
Leasehold improvements	5 – 50%
Plant and machinery	10 – 20%
Furniture, fixtures and office equipments	10 – 20%
Motor vehicles	20%

The asset's residual values, deprecation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

CIP, which represents machineries under construction, is stated at cost less accumulated impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No deprecation is provided on CIP. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.7 Impairment of non-financial assets

Property, plant and equipment, leasehold land and land use rights, deferred product development costs and interests in subsidiaries are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets, are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance lease.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to consolidated statement of comprehensive income on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Deferred product development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets (deferred product development costs) provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Deferred product development costs acquired separately are recognised initially at cost. After initial recognition, deferred product development costs with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for deferred product development costs with finite useful lives is provided on straight-line basis over their estimated useful lives of 2 years.

2.10 Inventories

Electronic items are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

Precious metals are measured at fair value less cost to sell, any unrealised gain/loss arising from changes of fair value are recognised as in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit making. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

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

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's accounting policies in note 2.5 to these financial statements.

(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. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. 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 cost.

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the fair value reserve for available-of-sales financial assets in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

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

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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

(i) Financial 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 amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Financial assets carried at amortised cost *(Continued)*

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit and loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under the plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees, directors and other eligible participants.

All services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Share-based employee compensation *(Continued)*

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share options reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained profits.

2.17 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables and obligations under finance lease.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with Group's accounting policy for borrowing cost (see note 2.24).

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.8).

Other financial liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

2.19 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.20 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Related parties *(Continued)*

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

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

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

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

2.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The executive directors have identified the Group's three products and service lines as operating segments as follows:

(a) Electronic products consists of the manufacturing and sales of electronic products;

(b) Equity and commodity investments consists of investments in equity securities and precious metals;

(c) Provision of loan finance consists of loan financing services.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that operating lease charges, impairment loss on an other receivable, results from discontinued operations, gain on disposal of subsidiaries (discontinued operation) and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets are all operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Non-current assets held for sale

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposal of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then on initial classification as held for sale and until disposal, the non-current assets, or the disposal group, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the accounts of the Group are concerned are deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies governed with.

As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current assets is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operations; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.23 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.8. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.24 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The application of HKFRS8 has not reflected in a re-designation of the Group's reportable segments.

The Group has applied changes to its accounting policies on segment reporting retrospectively. However, the changes to the comparative have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

New or amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Improvements to HKFRSs 2009

The HKICPA has issued improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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) Depreciation, useful lives and residual values of property, plant and equipment

The Group's management exercises its judgement in estimating the useful lives and residual values of the depreciable property, plant and equipment other then CIP. The estimated useful lives and residual values reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates its property, plant and equipment other than CIP in accordance with the accounting policies stated in note 2.6. The carrying amount of property, plant and equipment is disclosed in note 15.

(ii) Net realisable value of inventories related to electronic products

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experiences of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the reporting date.

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

(a) Critical accounting estimates and assumptions *(Continued)*

(iii) Estimated impairment on receivables

The Group's management assesses the collectability of receivables. This estimate is based on the past collection, credit history and ageing analysis of the Group's receivables, as well as the current economy and market condition. Impairment on receivables is made based on the estimation of the future cash flow expected to arise and the original effective interest rate in order to calculate the present value. The Group's management determines impairment of its receivables on a regular basis and reassesses the impairment of receivables at the reporting date.

(iv) Impairment of interests in subsidiaries

The Group's management follows the guidance of HKAS 36 Impairment of assets, in determining whether interests in subsidiaries are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2009 was approximately HK$93,316,000 (2008: HK$93,316,000).

(v) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In the opinion of the directors, the current tax position is a fair reflection of the judgement exercised by them with respect to such transactions.

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

(i) Deferred product development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for deferred product development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or know how are continuously monitored by the Group's management.

5. SEGMENT INFORMATION

The executive directors have identified the Group's three (2008: three) products and service lines as operating segments as further described in note 2.21.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the year ended 31 December 2009

	Continuing operations			
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Total HK$'000
Revenue from external customer				
Reportable segment revenue	281,884	12,315	–	294,199
Reportable segment profit/(loss)	(1,937)	676	–	(1,261)
– Dividend income from listed investments	–	45	–	45
– Products development income	2,215	–	–	2,215
– Reversal of provision for impairment of trade receivables	455	–	–	455
– Sales of obsolete inventories and raw materials	15	–	–	15
– Compensation from vendors	122	–	–	122
– Unrealised gain on inventory at fair value	–	291	–	291
– Realised gain on financial assets at fair value through profit and loss	–	2,721	–	2,721
– Gain on disposal of property, plant and equipment	286	–	–	286
– Depreciation on property, plant and equipment	(7,092)	–	–	(7,092)
– Amortisation of leasehold land and land use rights	(62)	–	–	(62)
– Distribution costs	(6,016)	–	–	(6,016)
– Unrealised loss on financial assets at fair value through profit and loss	–	(2,962)	–	(2,962)
– Amortisation of capitalised deferred product development costs	(1,128)	–	–	(1,128)
– Loss on disposal of property, plant and equipment	(3,276)	–	–	(3,276)
– Provision for slow moving inventory	(1,878)	–	–	(1,878)
– Income tax	(388)	–	–	(388)

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2009 *(Continued)*

	Continuing operations			
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Total HK$'000
Reportable segment assets				
– Property, plant and equipment	40,726	–	–	40,726
– Leasehold land and land use rights	2,106	–	–	2,106
– Deposits for acquisition of property, plant and equipment	3,707	–	–	3,707
– Deferred product development costs	937	–	–	937
– Financial assets at fair value through profit or loss	–	11,157	–	11,157
– Inventories	34,653	4,276	–	38,929
– Trade and bill receivables	31,006	–	–	31,006
– Prepayments, deposits and other receivables	3,537	21	3	3,561
– Cash and cash equivalents	30,124	139,375	1,001	170,500
Additions to non–current segment assets during the year	4,450	–	–	4,450
Reportable segment liabilities				
– Trade payables	(31,765)	–	–	(31,765)
– Accruals and other payables	(19,950)	(40)	(10)	(20,000)
– Provision for tax	(809)	–	–	(809)
– Obligations under finance lease	(87)	–	–	(87)
– Provision for long service payment	(1,383)	–	–	(1,383)

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2008

	Continuing operations			
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Total HK$'000
Revenue from external customer				
Reportable segment revenue	366,225	–	1	366,226
Reportable segment profit/(loss)	(9,260)	2,838	(4,211)	(10,633)
– Dividend income from listed investments	–	622	–	622
– Products development income	3,136	–	–	3,136
– Compensation from vendors	110	–	–	110
– Realised gain on financial asset at fair value through profit or loss	–	179	–	179
– Write back of provision for slow moving inventories	370	–	–	370
– Gain on disposal of property, plant and equipment	75	–	–	75
– Distribution costs	(7,241)	–	–	(7,241)
– Depreciation on property, plant and equipment	(8,727)	–	–	(8,727)
– Amortisation of leasehold land and land use rights	(62)	–	–	(62)
– Amortisation of capitalised deferred product development costs	(7,848)	–	–	(7,848)
– Unrealised loss on financial asset at fair value through profit and loss	–	(598)	–	(598)
– Provision for impairment of trade receivables recognised	(773)	–	–	(773)
– Impairment loss on available–for–sale financial assets	(1,549)	–	–	(1,549)
– Income tax	(10,181)	–	–	(10,181)
Reportable segment assets				
– Property, plant and equipment	40,253	–	–	40,253
– Leasehold land and land use rights	2,167	–	–	2,167
– Deferred product development cost	1,000	–	–	1,000
– Financial assets at fair value through profit or loss	–	4,012	–	4,012
– Inventories	52,425	–	–	52,425
– Trade receivables	32,408	–	–	32,408
– Prepayments, deposits and other receivables	5,263	–	–	5,263
– Cash and cash equivalents	29,373	46,996	–	76,369
Additions to non–current segment assets during the year	1,982	–	–	1,982
Reportable segment liabilities				
– Trade payables	(34,403)	–	–	(34,403)
– Other payables and accruals	(23,214)	(10)	–	(23,224)
– Obligation under finance lease	(155)	–	–	(155)
– Provision for long service payment	(2,030)	–	–	(2,030)

5. SEGMENT INFORMATION *(Continued)*

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2009 HK$'000	2008 HK$'000
Reportable segment revenue and Group revenue	**294,199**	366,226
Reportable segment loss	**(1,261)**	(10,633)
Impairment loss on an other receivable	–	(151,367)
Operating lease charges	**(8,469)**	(9,983)
Discontinued operations	**7,455**	(12,325)
Unallocated expenses	**(10,874)**	(10,897)
Unallocated income	**4,763**	15,132
Loss for the year	**(8,386)**	(180,073)
Reportable segment assets	**302,629**	213,897
Assets of a disposal group classified as held for sale	–	52,698
Corporate assets	**494,924**	598,010
Group assets	**797,553**	864,605
Reportable segment liabilities	**(54,044)**	(59,812)
Liabilities of a disposal group classified as held for sale	**–**	(51,300)
Corporate liabilities	**(3,747)**	(5,133)
Group liabilities	**(57,791)**	(116,245)

During the year ended 31 December 2009, approximately HK$88,908,000 or 30% (2008: approximately HK$149,032,000 or 41%) of the Group's revenues depended on a single customer (2008: two customers) in the trading of electronic products segment.

At the reporting date, 31% (2008: 38%) of the Group's trade receivables was due from the above customer(s).

5. SEGMENT INFORMATION *(Continued)*

The Group's revenues from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

Revenue from external customers:

	2009	2008		
	Continuing operation HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Hong Kong (domicile) *(note (a))*	**52,429**	58,899	71,867	130,766
North America *(note (b))*	**51,971**	70,094	2,799	72,893
Europe *(note (c))*	**26,053**	36,682	2,001	38,683
Japan	**144,539**	183,205	–	183,205
Others *(note (d))*	**19,207**	17,346	6,991	24,337
Total	**294,199**	366,226	83,658	449,884

Non-current assets:

	2009	2008		
	Continuing operation HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Hong Kong (domicile) *(note (a))*	**31,090**	23,582	–	23,582
Mainland China	**39,595**	44,402	17,346	61,748
Total	**70,685**	67,984	17,346	85,330

Note:

(a) The place of domicile is determined based on the location of central management.

(b) Principally included United States of America ("USA") and Canada.

(c) Principally included United Kingdom, France, Germany and Mainland Europe.

(d) Principally included Taiwan, Korea and elsewhere in Asia.

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. REVENUE

The Group's principal activities are disclosed in note 1 to these financial statements. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2009 HK$'000	2008 HK$'000
Continuing operations		
Sales of electronic products	**281,884**	366,225
Trading of precious metal	**12,315**	–
Provision of loan financing	**–**	1
	294,199	366,226
Discontinued operations		
Sales of PCBs	**–**	83,658
Total	**294,199**	449,884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. OTHER REVENUE AND NET INCOME

	2009 Continuing operations HK$'000	2008 Continuing operations HK$'000	2008 Discontinued operations HK$'000	2008 Consolidated HK$'000
Other revenue				
Interest income on financial assets carried at amortised costs	**4,902**	14,903	14	14,917
Dividend income from listed investments	**45**	622	–	622
Sales of obsolete inventories and raw materials	**15**	–	1,482	1,482
Products development income	**2,215**	3,136	–	3,136
Other interest income on financial assets carried at amortised costs	**42**	226	–	226
Compensation from vendors	**122**	110	1,096	1,206
Reversal of provision for impairment of trade receivables	**455**	–	–	–
Others	**884**	3,417	575	3,992
	8,680	22,414	3,167	25,581
Other net income				
Exchange gain, net	**–**	18	–	18
Realised gain on financial assets at fair value through profit or loss	**2,721**	179	–	179
Unrealised gain on inventory at fair value	**291**	–	–	–
Gain on disposal of a subsidiary	**–**	1,000	–	1,000
Gain on disposal of an associate	**–**	5	–	5
Gain on disposal of property held for sale	**–**	2,961	–	2,961
	3,012	4,163	–	4,163
	11,692	26,577	3,167	29,744

8. LOSS BEFORE INCOME TAX

	2009	2008		
	Continuing operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Loss before income tax is arrived at after charging/(crediting):				
Cost of inventories sold	**207,609**	251,207	50,018	301,225
Depreciation on property, plant and equipment				
– Owned assets	**9,321**	10,482	6,864	17,346
– Leased assets	**55**	45	–	45
Amortisation of leasehold land and land use rights	**252**	252	–	252
Amortisation of prepaid rental	**–**	–	429	429
Research and development costs (including amortisation charge on capitalised deferred product development costs)	**1,514**	8,447	–	8,447
Operating lease charges in respect of land and buildings	**8,469**	7,678	2,305	9,983
Unrealised loss on financial assets at fair value through profit or loss	**2,962**	598	–	598
Auditors' remuneration	**760**	814	149	963
Provision for impairment of trade receivables recognised	**–**	773	194	967
Provision for slow moving inventories	**1,878**	–	–	–
Write back of provision for slow moving inventories	**–**	(370)	–	(370)
Gain on disposal of property, plant and equipment	**(286)**	(75)	–	(75)
Loss on disposal of property, plant and equipment	**3,276**	–	2,163	2,163
Exchange loss, net	**244**	–	–	–

Depreciation expenses of approximately HK$5,039,000 and HK$4,337,000 (2008: HK$11,883,000 and HK$5,508,000) have been included in cost of sales and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

9. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008		
	Continuing operations	Continuing operations	Discontinued operations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Wages and salaries	**53,563**	68,886	18,804	87,690
Pension costs – defined contribution plans	**2,261**	5,702	2,347	8,049
	55,824	74,588	21,151	95,739

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

10.1 Directors' emoluments

Executive directors and independent non-executive directors:

2009

	Directors' fees	Salaries, allowance & benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Yau Tak Wah, Paul	–	1,854	150	90	2,094
Ms. Louie Mei Po	–	1,800	600	120	2,520
Ms. Liu Yee Nee	–	996	150	57	1,203
Ms. Wong Shin Ling, Irene	120	–	–	–	120
Independent non-executive directors					
Mr. Cheung Chung Leung, Richard	150	–	–	–	150
Mr. Ng Wai Hung	180	–	–	–	180
Mr. Wu Wang Li	120	–	–	–	120
	570	4,650	900	267	6,387

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

10.1 Directors' emoluments *(Continued)*

2008

	Directors' fees HK$'000	Salaries, allowance & benefits in kind HK$'000	Discretionary bonuses HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
Executive directors					
Mr. Yau Tak Wah, Paul	–	1,850	150	90	2,090
Ms. Louie Mei Po	–	1,798	650	122	2,570
Ms. Liu Yee Nee	–	988	83	54	1,125
Ms. Wong Shin Ling, Irene	60	462	31	30	583
Independent non-executive directors					
Mr. Cheung Chung Leung, Richard	150	–	–	–	150
Mr. Ng Wai Hung	180	–	–	–	180
Mr. Wu Wang Li	120	–	–	–	120
	510	5,098	914	296	6,818

During the year ended 31 December 2009, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

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

10.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2008: three) directors whose emoluments are reflected in the analysis presented in note 10.1. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowances and benefits in kind	**2,249**	2,366
Retirement scheme contributions	**68**	67
	2,317	2,433

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$1,000,001 – HK$1,500,000	**2**	2

11. INCOME TAX EXPENSE

	2009	2008		
	Continuing operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Current tax				
Hong Kong				
– Tax for the year	**222**	680	–	680
– (Over)/Under provision in respect of prior years	**(38)**	1,761	–	1,761
	184	2,441	–	2,441
The PRC				
– Tax for the year	**131**	385	20	405
– Under provision in respect of prior years	**73**	7,355	–	7,355
	204	7,740	20	7,760
Total income tax expense	**388**	10,181	20	10,201

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. INCOME TAX EXPENSE *(Continued)*

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009 **HK$'000**	2008 HK$'000
(Loss)/profit before taxation		
Continuing operations	**(15,453)**	(157,567)
Discontinued operations	**7,455**	(12,305)
	(7,998)	(169,872)
Income tax at Hong Kong profits tax rate of 16.5%	**(1,320)**	(28,028)
Tax effect of different taxation rates in other tax jurisdictions	**(20)**	(488)
Over provision in prior years	**(38)**	–
Under provision in prior years	**73**	9,116
Tax effect of non-taxable revenue	**(3,136)**	(4,288)
Tax effect of non-deductible expenses	**1,797**	44,324
Tax effect of prior year's unrecognised tax losses utilised this year	**(117)**	(15,983)
Tax effect of unused tax losses not recognised	**3,149**	2,439
Others	**–**	3,109
Income tax expense	**388**	10,201

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

A Group's subsidiary, Gaojin Electronics (Shenzhen) Co., Ltd is entitled to preferential tax treatments granted by the relevant tax authorities in the PRC and is subject to a lower income tax rate of 20%, until the unified tax rate of 25% gradually transitioned in 2012.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain preferential provisions.

12. DISCONTINUED OPERATIONS – GROUP

During the year ended 31 December 2008, the Group discontinued the operation of manufacture and sale of PCBs operated by Allied Trade Limited ("ATL") and its subsidiaries (collectively referred to as the "ATL Group").

On 5 January 2009, the Group entered into a sales and purchase agreement with an independent third party, for the disposal of its entire equity interests in ATL Group for a cash consideration of HK$100,000. The assets and liabilities attributable to the business, which were expected to be sold in the year of 2009, had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2008. The net proceeds of the disposal was expected to exceed the net carrying amount of the relevant assets and liabilities after incorporating the carrying amount of the related minority interest of the entities disposed of, accordingly, no impairment loss was recognised for the year ended 31 December 2008. The disposal was completed on 5 January 2009.

The business segment of this operation was presented as discontinued operations upon the classification of the associated assets and liabilities as assets and liabilities of a disposal group classified as held for sale as at year end 31 December 2008.

The combined results of the manufacture and sale of PCBs for the year ended 2008 had been included in the consolidated statement of comprehensive income as follows:

	2008 HK$'000
Loss for the year from discontinued operations	
Revenue	83,658
Cost of sales	(78,880)
Gross profit	4,778
Other revenue and net income	3,167
Distribution costs	(1,807)
Administrative expenses	(18,443)
Loss before income tax	(12,305)
Income tax expense	(20)
Loss for the year from discontinued operations	(12,325)
Cash flows generated from discontinued operations	
Net cash generated from operating activities	1,590
Net cash used in investing activities	(1,327)
Net cash inflow attributable to the discontinued operations	263

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. DISCONTINUED OPERATIONS – GROUP *(Continued)*

The major classes of assets and liabilities of the ATL Group as at 31 December 2008, which had been presented separately in the consolidated statement of financial position as at 31 December 2008, were as follows:

	2008 HK$'000
Property, plant and equipment *(note 15)*	17,346
Inventories	12,266
Trade receivables *(note (a))*	7,202
Prepayments, deposits and other receivables	14,223
Cash and cash equivalents	1,661
Total assets of a disposal group classified as held for sale	52,698
Trade payables *(note (b))*	(25,750)
Amount due to a related company	(13,563)
Accruals and other payables	(11,626)
Provision for tax	(361)
Total liabilities of a disposal group classified as held for sale	(51,300)

Note:

(a) Trade receivables

Trade receivables of a disposal group classified as held for sale had credit terms ranging from 30 days to 90 days. As at 31 December 2008, ageing analysis of trade receivables of a disposal group classified as held for sale, based on the invoice date, was as follows:

	2008 HK$'000
0-90 days	7,202

(b) Trade payables

As at 31 December 2008, ageing analysis of trade payables of a disposal group classified as held for sale, based on the invoice date, was as follows:

	2008 HK$'000
0-90 days	(25,750)

12. DISCONTINUED OPERATIONS – GROUP *(Continued)*

Net cash inflows in respect of the disposal of subsidiaries is as follow:

	2009 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	17,346
Inventories	12,266
Trade receivables	7,202
Prepayment, deposits and other receivables	14,223
Cash and cash equivalents	1,661
Trade payables	(25,750)
Amount due to a related company	(13,563)
Accruals and other payables	(11,626)
Provision for tax	(361)
Minority interest	(8,899)
	(7,501)
Release of translation reserve upon disposal of subsidiaries	146
	(7,355)
Gain on discontinued operations	7,455
Total consideration, satisfied by cash	100

13. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of approximately HK$8,386,000 (2008: HK$180,073,000), a loss of approximately HK$22,200,000 (2008: a loss of approximately HK$119,414,000) has been dealt with in financial statements of the Company.

14. EARNINGS/(LOSS) PER SHARE

Basic loss per share from continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK$8,386,000 (2008: approximately HK$180,073,000) and on the weighted average of approximately 2,247,682,000 (2008: approximately 2,247,682,000) ordinary shares in issue during the year.

Basic loss per share from continuing operations

The calculation of basic loss per share for continuing operations is based on the loss attributable to the owners of the Company of approximately HK$15,841,000 (2008: approximately HK$167,748,000) and on the weighted average of 2,247,682,000 (2008: 2,247,682,000) ordinary shares in issue during the year.

Basic earnings/(loss) per share from discontinued operations

The calculation of basic earnings per share for discontinued operations for the year ended 31 December 2009 is based on the profit attributable to the owners of the Company of approximately HK$7,455,000 and on the weighted average of approximately 2,247,682,000 ordinary shares in issue during the year.

The calculation of basic loss per share for discontinued operations for the year ended 2008 was based on the loss attributable to the owners of the Company of approximately HK$12,325,000 and on the weighted average of 2,247,682,000 ordinary shares in issue during the year.

Diluted loss per share from continuing and/or discontinued operations

Diluted loss per share for continuing and/or discontinued operations for the year ended 31 December 2008 and 2009 is not presented because the impact of the exercise of the share options is anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipments HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2008							
Cost or valuation	36,800	56,751	160,226	26,563	1,249	1,069	282,658
Accumulated depreciation	–	(36,929)	(134,247)	(23,141)	(511)	–	(194,828)
Net book amount	**36,800**	**19,822**	**25,979**	**3,422**	**738**	**1,069**	**87,830**
Year ended 31 December 2008							
Opening net book amount	36,800	19,822	25,979	3,422	738	1,069	87,830
Additions	–	991	3,581	893	488	1,925	7,878
Disposals	–	(1,236)	(2,211)	(33)	–	(7)	(3,487)
Depreciation	(1,999)	(3,850)	(9,522)	(1,715)	(305)	–	(17,391)
Reclassified as assets of a disposal group classified as held for sale *(note 12)*	–	(10,286)	(3,737)	(336)	–	(2,987)	(17,346)
Surplus on revaluation	199	–	–	–	–	–	199
Closing net book amount	35,000	5,441	14,090	2,231	921	–	57,683
At 31 December 2008							
Cost or valuation	35,000	31,946	80,187	23,353	1,737	–	171,588
Accumulated depreciation	–	(26,505)	(66,097)	(21,122)	(816)	–	(113,905)
Net book amount	**35,000**	**5,441**	**14,090**	**2,231**	**921**	**–**	**57,683**
Year ended 31 December 2009							
Opening net book amount	35,000	5,441	14,090	2,231	921	–	57,683
Additions	–	758	2,259	412	1,198	–	4,627
Disposals	–	(1,826)	(1,552)	(77)	(114)	–	(3,569)
Depreciation	(2,127)	(1,711)	(4,351)	(827)	(360)	–	(9,376)
Surplus on revaluation	7,627	–	–	–	–	–	7,627
Closing net book amount	40,500	2,662	10,446	1,739	1,645	–	56,992
At 31 December 2009							
Cost or valuation	40,500	28,198	78,433	21,911	2,186	–	171,228
Accumulated depreciation	–	(25,536)	(67,987)	(20,172)	(541)	–	(114,236)
Net book amount	**40,500**	**2,662**	**10,446**	**1,739**	**1,645**	**–**	**56,992**

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

The analysis of cost or valuation at 31 December 2009 of the above assets is as follows:

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipments HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	28,198	78,433	21,911	2,186	130,728
At valuation	40,500	–	–	–	–	40,500
	40,500	28,198	78,433	21,911	2,186	171,228

The analysis of cost or valuation at 31 December 2008 of the above assets is as follows:

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipments HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	31,946	80,187	23,353	1,737	137,223
At valuation	35,000	–	–	–	–	35,000
	35,000	31,946	80,187	23,353	1,737	172,223

At 31 December 2009, certain office equipments of the Group with a total net book amount of HK$81,000 (2008: HK$136,000) are held under finance leases (note 31).

The Group's buildings were last revalued on 31 December 2009. Valuations were made on the basis of open market value by B.I. Appraisals Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors, engaged by the Group. Open market value was estimated based on recent market transactions, which were then adjusted for specific conditions relating to the buildings. The revaluation surplus net of applicable deferred income taxes, if any, was credited to property revaluation reserve in other comprehensive income.

The Group's buildings were situated in Hong Kong and PRC and are held on leases of over 50 years and between 10 to 50 years respectively (note 16).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2009 **HK$'000**	2008 HK$'000
Cost	**38,400**	38,400
Accumulated depreciation	**(17,174)**	(16,092)
Net book amount	**21,226**	22,308

Company

	Leasehold improvements HK$'000	**Furniture and fixtures** HK$'000	**Total** HK$'000
At 1 January 2008, 31 December 2008 and 2009			
Cost	13	144	157
Accumulated depreciation	(13)	(144)	(157)
Net book amount	–	–	–

16. LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Opening net carrying amount	**9,553**	9,805
Amortisation	**(252)**	(252)
Closing net carrying amount	**9,301**	9,553
Less: Current portion	**(252)**	(252)
Non-current portion	**9,049**	9,301

16. LEASEHOLD LAND AND LAND USE RIGHTS – GROUP *(Continued)*

The analysis of the net carrying amount of leasehold land and land use rights according to lease periods are as follows:

	2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**7,196**	7,387
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,105**	2,166
	9,301	9,553

17. INTERESTS IN SUBSIDIARIES – COMPANY

	2009 HK$'000	2008 HK$'000
Investments at costs		
Unlisted shares	**93,316**	93,316
Amounts due from subsidiaries	**372,692**	282,427
Less: Provision for impairment	**(187,751)**	(165,205)
	184,941	117,222

The amounts due from/to subsidiaries are in the nature of current accounts and are unsecured, interest free and have no fixed terms of repayment.

Movements in provision for impairment of amounts due from subsidiaries during the year are as follows:

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**165,205**	38,628
Impairment loss recognised	**22,546**	126,577
At the end of the year	**187,751**	165,205

17. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Particulars of the subsidiaries at 31 December 2009 are as follows:

Name	Place/ country of incorporation/ registration	Issued and fully paid share/ registered capital	Percentage of equity interest held by		Principal activities and places of operations
			Company	subsidiary	
Account Centre Limited	Hong Kong	HK$2	–	100%	Provision of accountancy services to group companies in Hong Kong
Art Ray Investments Limited	Hong Kong	HK$1	–	100%	Inactive
Asset Bridge Development Limited	Hong Kong	HK$1	–	100%	Provision of loan financing in Hong Kong
Connion Limited	Hong Kong	HK$2	–	100%	Securities and commodity investment in Hong Kong
Eastec Property Holding Limited	Hong Kong	HK$100	–	100%	Leasing of properties to group companies in Hong Kong
Eastec Purchasing Limited	British Virgin Islands ("BVI")	US$1	–	100%	Trading of electronic components and parts in Hong Kong
Eastec Technology Limited	Hong Kong	HK$2	–	100%	Trading of electronic components and parts in Hong Kong
Electronics Tomorrow Limited	Hong Kong	HK$500,000	–	100%	Manufacture and sales of electronic products in Hong Kong
Electronics Tomorrow Holdings Corporation	BVI	US$100	–	100%	Investment holding in Hong Kong
Electronics Tomorrow International Limited	BVI	US$600	100%	–	Investment holding in Hong Kong
Electronics Tomorrow Property Holdings Limited	BVI	US$100	–	100%	Investment holding in Hong Kong
ETL (Macao) Commercial Offshore Limited	Macau	MOP500,000	–	100%	Trading of electronic components and parts in Macau and Hong Kong
Fortune Dynamic Group Corporation	BVI	US$1	100%	–	Investment holding in Hong Kong

17. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Particulars of the subsidiaries at 31 December 2009 are as follows: *(Continued)*

Name	Place/ country of incorporation/ registration	Issued and fully paid share/ registered capital	Percentage of equity interest held by Company	Percentage of equity interest held by subsidiary	Principal activities and places of operations
Fortune Overseas Investment Holdings Limited	Hong Kong	HK$2	–	100%	Inactive
Gaojin Electronics (Shenzhen) Company Limited ("Gaojin") *(i)*	The PRC	US$5,000,000	–	100%	Manufacture of electronic products in the PRC
Good Order International Inc.	BVI	US$100	–	100%	Investment holding in Hong Kong
Issegon Company Limited	Hong Kong	HK$300,000	–	100%	Investment holding in Hong Kong
Master Base Limited	BVI	US$1	100%	–	Investment holding in Hong Kong
Maxson Services Limited	Hong Kong	HK$2	–	100%	Provision of accountancy and management services to group companies in Hong Kong
Merit Capital Limited	BVI	US$1	–	100%	Capital financing to group companies in Hong Kong
Merit Style Development Limited	Hong Kong	HK$1	–	100%	Inactive
Probest Holdings Inc.	BVI	US$1	–	100%	Investment holding in Hong Kong
Super Fold Inc.	BVI	US$1	–	100%	Investment holding in Hong Kong
Team Force Corporation	BVI	US$100	–	100%	Investment holding in Hong Kong
Wealth Zone Holdings Limited	Hong Kong	HK$1	–	100%	Inactive

Notes:

(i) Gaojin is registered as a wholly foreign owned enterprise under the PRC law.

(ii) During the year ended 31 December 2009, a subsidiary of the Group, Sharp Legend Holdings Limited was deregistered.

The financial statements of the above subsidiaries were audited by Grant Thornton, Hong Kong, for the statutory purpose and/or for the purpose of group consolidation.

18. DEFERRED PRODUCT DEVELOPMENT COSTS – GROUP

	2009 HK$'000	2008 HK$'000
Net carrying amount at the beginning of the year	**1,000**	7,880
Additions	**1,065**	968
Amortisation charge	**(1,128)**	(7,848)
Net carrying amount at the end of the year	**937**	1,000

	2009 HK$'000	2008 HK$'000
At 31 December		
Gross carrying amount	**31,500**	30,435
Accumulated amortisation	**(30,563)**	(29,435)
Net carrying amount at 31 December	**937**	1,000

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2009 HK$'000	2008 HK$'000
Listed equity securities in Hong Kong, at market value *(note (a))*	**2,815**	1,901
Unlisted equity securities outside Hong Kong, at cost *(note (b))*	**–**	1,549
Less: Provision for impairment	**–**	(1,549)
	–	–
	2,815	1,901

Notes:

(a) Listed equity securities are stated at fair value. The fair value of the investment in listed equity securities has been determined directly by reference to their quoted bid prices at the reporting date.

(b) Unlisted equity securities represented investment in a private company incorporated in Japan. This investment was derecognised following the deregistration of the company during the year ended 31 December 2009, there was no significant impact to the results and financial position of the Group.

The fair value of the Group's investments in listed equity securities classified as available-for-sales financial assets has been measured as described in note 36(g).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2009 HK$'000	2008 HK$'000
Listed equity securities held for trading		
– in HK, at market value	**4,322**	–
– in USA, at market value	**6,835**	4,012
Total	**11,157**	4,012

Listed equity securities are stated at fair value. The fair value of the investment in listed equity securities has been determined directly by reference to their quoted bid prices at the reporting date.

The fair value of the Group's investments in listed equity securities classified as financial assets at fair value through profit or loss has been measured as described in note 36(g).

21. INVENTORIES – GROUP

	2009 HK$'000	2008 HK$'000
Electronic Products		
Raw materials	**31,214**	41,615
Work in progress	**15,387**	15,724
Finished goods	**4,467**	9,623
	51,068	66,962
Less: Allowance for inventories	**(16,415)**	(14,537)
	34,653	52,425
Precious metal, at fair value	**4,276**	–
	38,929	52,425

Movement in allowance account for inventories during the year are as follows:

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**14,537**	15,447
Provision for the year	**1,878**	–
Write back of provision for slow moving inventories	**–**	(370)
Amount classified as assets held for sale	**–**	(540)
At the end of the year	**16,415**	14,537

22. TRADE AND BILL RECEIVABLES – GROUP

	2009 HK$'000	2008 HK$'000
Trade receivables	**31,272**	32,427
Less: Provision for impairment of trade receivables recognised	**(318)**	(773)
Trade receivables – net	**30,954**	31,654
Bill receivables	**52**	754
	31,006	32,408

The directors considered that the fair value of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inspection.

The majority of the Group's sales are on credit or documents against payment. According to the credit rating of different customers, the Group allows a range of credit periods ranging from 30 days to 90 days (2008: 30 days to 90 days) to its trade customers.

Provision for impairment of trade receivables is recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment on trade receivable is as follows:

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**773**	17,474
Reversal of provision for impairment of trade receivables	**(455)**	–
Provision for impairment loss on trade receivables recognised	**–**	967
Amount classified as assets held for sale	**–**	(17,668)
At the end of the year	**318**	773

Based on the invoice date, the ageing analysis of the trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
0 to 90 days	**28,505**	31,335
91 to 180 days	**2,449**	319
	30,954	31,654

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. For the year ended 31 December 2008, provision for impairment loss of approximately HK$967,000 has been made. The impaired trade receivables were due from customers that were in default of payments.

22. TRADE AND BILL RECEIVABLES – GROUP *(Continued)*

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**18,265**	31,335
Less than one year past due	**12,689**	319
	30,954	31,654

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default of payments.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are still considered to be recoverable.

The Group did not hold any collateral in respect of trade receivables.

Majority of the Group's trade receivables are denominated in HK$, no interest is charged on trade receivables.

The Group's trade receivables relate to a few customers and there is a concentration of credit risk with a maximum exposure equal to the carrying amounts of trade receivables.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current asset				
Deposits for acquisition of property, plant and equipment	**3,707**	–	**–**	–

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets				
Deposits	**1,988**	2,821	**–**	534
Prepayments	**230**	646	**170**	436
Other receivables *(note)*	**3,898**	5,574	**364**	6
	6,116	9,041	**534**	976

Note: During the year ended 31 December 2008, approximately HK$151,367,000 was reclassified from amount due from an associate to other receivables, as a result of the disposal of the entire equity interest in the associate of the Group. In the opinion of the directors of the Company, due to the continued global market deterioration caused by the financial tsunami which had affected the financial ability of the other receivable party to repay the debt, they considered the recoverability of such debt was slim and full provision had been made against the carrying amount of this other receivable for the year ended 31 December 2008.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**175,963**	46,251	**28,203**	2,963
Short-term bank deposits	**460,472**	597,633	**407,572**	532,034
	636,435	643,884	**435,775**	534,997

The short-term bank deposits earn interest at 0.22% to 3.63% per annum (2008: 0.35% to 2.3%). They have a maturity ranging from 30 days to 180 days (2008: 30 days to 90 days) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The directors of the Company considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank and cash balances of the Group approximately HK$976,000 (2008: HK$1,375,000) was denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. TRADE PAYABLES – GROUP

The Group was granted by its suppliers credit periods ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	2009 **HK$'000**	2008 HK$'000
0 to 60 days	**31,720**	34,403
Over 60 days	**45**	–
	31,765	34,403

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

26. PROVISION FOR LONG SERVICE PAYMENT

	Group		**Company**	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
At the beginning of the year	**2,963**	570	**230**	230
Provision for the year	**–**	2,393	**–**	–
Reversal of over-provision	**(803)**	–	**–**	–
At the end of the year	**2,160**	2,963	**230**	230

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the reporting date.

27. DEFERRED TAX – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the countries in which the Group operates.

At the reporting date, there was no material unrecognised deferred tax assets or liabilities arising from any temporary difference.

The Group has tax losses arising in Hong Kong of approximately HK$113,360,000 (2008: HK$108,666,000), subject to the agreement of Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in subsidiaries with unpredictability of future profit streams.

Deferred tax liabilities in respect of the temporary differences associated with the undistributed earnings of subsidiaries have not been provided as the Group is in a position to control the timing of reversal of these differences and it is probable that such differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	2009		2008	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.004 each				
At 1 January and at 31 December	**125,000,000,000**	**500,000**	125,000,000,000	500,000

	2009		2008	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Issued and fully paid:				
Ordinary shares at HK$0.004 each				
At 1 January and at 31 December	**2,247,682,010**	8,991	2,247,682,010	8,991

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(i) Share premium and capital redemption reserve

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus

The contributed surplus of the Group represents the surplus arising from the Group's capital reorganisation in respect of its capital reduction, share subdivision and share consolidation in 2003.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus; if:

– the company is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

29. RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based compensation reserve HK$'000	Retained Profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2008	365,359	77	368,125	16,966	94,417	844,944
Loss for the year and total comprehensive income for the year	–	–	–	–	(119,414)	(119,414)
At 31 December 2008 and 1 January 2009	365,359	77	368,125	16,966	(24,997)	725,530
Loss for the year and total comprehensive income for the year	–	–	–	–	(22,200)	(22,200)
At 31 December 2009	**365,359**	**77**	**368,125**	**16,966**	**(47,197)**	**703,330**

The contributed surplus of the Company represents (i) the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition and (ii) the capital reorganisation as disclosed in note 29(a)(ii).

At 31 December 2009, the aggregate amount of reserves available for distribution to owners of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), was approximately HK$320,928,000 (2008: HK$343,128,000). In addition, the Company's share premium account, in the amount of approximately HK$365,359,000 at both reporting dates may be distributed in the form of fully paid bonus shares.

30. SHARE OPTION SCHEME

As at 31 December 2009 the Group maintained a share option scheme for employee compensation.

The Company operates a share option scheme (the "Tomorrow Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Tomorrow Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder of the Company's subsidiaries. The Tomorrow Scheme became effective on 29 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Tomorrow Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Tomorrow Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options granted to a director, chief executive or substantial shareholder of the company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the company or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Tomorrow Scheme at any time during a period not exceeding five years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

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

30. SHARE OPTION SCHEME *(Continued)*

The following table shows the movement of the Company's share options during the year ended 31 December 2009.

Date of share options granted	Outstanding at the beginning of the year	Granted during the year	Lapsed during the year	Outstanding at the end of the year	Subscription price	Exercise period
21 May 2007	49,050,000	–	49,050,000	–	HK$0.30	21 May 2007 to 20 May 2012
25 September 2007	52,350,000	–	52,350,000	–	HK$0.296	25 September 2007 to 24 September 2012

In assessing the theoretical aggregate value of the share options granted and fully accepted during the year, the Binomial option pricing model has been used. No share option expense was recognised in current year (2008: Nil).

Share options granted and fully accepted during year ended 31 December 2007:

Date of Grant:	21 May 2007 and 25 September 2007
Vesting Period:	21 May 2007 and 25 September 2007
Exercise Period:	21 May 2007 to 20 May 2012 and 25 September 2007 to 24 September 2012
Exercise Price:	HK$0.30 and HK$0.296 per share

30. SHARE OPTION SCHEME *(Continued)*

Grantee	Number of share options granted at	Number of share options granted	Share options value at HK$ *(note (b))*	Number of share options at 31 December 2008 and 2009
Employees	21 May 2007	49,050,000	8,485,650	49,050,000
Directors	25 September 2007	44,940,000	7,280,280	44,940,000
Employees	25 September 2007	7,410,000	1,200,420	7,410,000
				101,400,000

Notes:

(a) The closing prices of the ordinary shares of the Company immediately before the date on which the options were granted were HK$0.3 on 21 May 2007 and HK$0.275 on 25 September 2007.

(b) According to the Binomial model, the theoretical aggregate value of the options was estimated at HK$8,485,650 and HK$8,480,700 as at 21 May 2007 and 25 September 2007 respectively (when the options were granted) with the following variables and assumptions:

Risk Free Rate:	4.164% and 4.102%, being the approximate yield of Exchange Fund Bills and Notes issued by Hong Kong government for the time to maturity of the option as at the valuation date quoted by Hong Kong Monetary Authority.
Expected Volatility:	64.44% and 69.35%, being the average annualised standard deviations of the continuously compounded rates of return on the share prices of two other comparable companies with similar business operations
Expected Life of the Options:	5 years from the date of granting
Expected Dividend Yield:	Nil

Options forfeited, if any, before the expiry of the options will be treated as lapsed options which will be added back to the number of ordinary shares available to be issued under the relevant share options scheme.

31. OBLIGATIONS UNDER FINANCE LEASE – GROUP

At 31 December 2009, the total future minimum lease payments under finance leases and their present value, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year	**48**	55	**48**	55
Due in the second to fifth years	**39**	100	**39**	100
	87	155	**87**	155
Less: future finance charges	**–**	–		
Present value of finance lease liabilities	**87**	155		
Less: Portion due within one year included under current liabilities			**(48)**	(55)
Portion due in the second to the fifth years included under non-current liabilities			**39**	100

The Group has entered into finance leases for certain office equipments. The leases run for the period of five years and do not have an option to review the lease terms. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the lease assets at the price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

Finance lease liabilities were effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default repayment by the Group.

32. CAPITAL COMMITMENTS

Group

	2009 HK$'000	2008 HK$'000
Capital commitments (contracted but not provided for):		
Property, plant and equipment	**554**	1,250
Deferred product development costs	**–**	423
	554	1,673

Company

The Company does not have any significant commitments as at 31 December 2009 and 2008.

33. OPERATING LEASE COMMITMENTS

Group

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**7,614**	8,947
In the second to fifth years	**2,332**	9,527
	9,946	18,474

The Group leases a number of properties under operating leases. The leases run for an initial period of one to ten years, with an option to renew the lease and renegotiated the terms at the expiry date as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

Company

The Company does not have any significant operating lease commitments as at 31 December 2009 and 2008.

34. CONTINGENT LIABILITIES

	Company	
	2009	2008
	HK$'000	HK$'000
Guarantees of banking facilities granted to subsidiaries	**24,000**	30,000

As at 31 December 2009, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees since there is no utilisation for the facility granted to its subsidiaries.

As at 31 December 2008, the maximum contingent liability of the Company at the reporting date under the guarantees issued to subsidiaries is the outstanding amount of letter of credit of approximately HK$1,055,000.

Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the amount granted.

At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that it is not probable that the amount granted will be in default.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

(a) Significant transactions with related parties:

Name of the company	Relationship with the Group	Nature of transactions	2009 HK$'000	2008 HK$'000
Prime Star Industries Limited	Common director of fellow subsidiaries	Sale of PCBs	–	62,605

The above transactions were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.

(b) Compensation of key management personnel:

The directors are of the opinion that the key management personnel were the executive and non-executive director of the Company, details of whose emoluments are set out in note 10.1.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

The Group does not have written risk management policies and guidelines. Generally, the Group employs a conservative strategy regarding its risk management. Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors periodically. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels. As the Group's exposure to market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk are kept at a minimum level, the Group has not used any derivative or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the reporting date, the Group's and the Company's financial instruments mainly consisted of available-for-sale financial assets, financial assets at fair value through profit or loss, cash and cash equivalents, trade and bill receivables, deposits and other receivables, trade payables, accruals and other payables, obligations under finance lease and amounts due from/to subsidiaries.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the Group's and the Company's statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2009	2008	**2009**	2008
Financial assets	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets	**2,815**	1,901	**–**	–
Financial assets at fair value through profit or loss	**11,157**	4,012	**–**	–
Loans and receivables				
– Trade and bill receivables	**31,006**	32,408	**–**	–
– Amounts due from subsidiaries	**–**	–	**184,941**	117,222
– Deposits and other receivables *(note 23)*	**5,886**	8,395	**364**	540
– Cash and cash equivalents	**636,435**	643,884	**435,775**	534,997
	673,327	684,687	**621,080**	652,759
	687,299	690,600	**621,080**	652,759

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For the year ended 31 December 2009

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(a) Categories of financial assets and liabilities *(Continued)*

	Group		Company	
Financial liabilities	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Financial liabilities measured at amortised cost				
– Trade payables	**(31.765)**	(34,403)	**–**	–
– Accruals and other payables	**(22,955)**	(26,355)	**(2,029)**	(2,120)
– Amounts due to subsidiaries	**–**	–	**–**	(9,654)
– Obligations under finance lease	**(87)**	(155)	**–**	–
	(54,807)	(60,913)	**(2,029)**	(11,774)

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency.

The Group is operated in Hong Kong and the PRC with most of the transactions settled in HK$, RMB and United States Dollars ("US$"). As HK$ is pegged to US$ the directors do not expect any significant exposure to foreign currency risk in this respect. As at the reporting date, foreign currencies were translated into HK$ at the closing rate.

Deposits invested into various bank deposits are mainly denominated in HK$, US$, RMB, Swiss Franc ("CHF") and Australian Dollars ("AUD"). Foreign currencies were translated into HK$ at the closing rate as at the reporting date. As at 31 December 2009, cash and bank balances mainly included HK$310,695,000, US$40,384,000 (approximately HK$314,471,000), RMB866,000 (approximately HK$976,000), CHF408,000 (approximately HK$3,073,000) and AUD1,003,000 (approximately HK$6,998,000). Any foreign currency exchange rate fluctuations in connection with its foreign currency denominated bank deposits may have a financial impact to the Group.

Sensitivity analysis

At 31 December 2009, if HK$ had strengthened by 10% against RMB, CHF and AUD, with all other variables held constant, post-tax loss for the year and retained profits would have been approximately HK$1,105,000 higher and lower respectively (2008: Nil), as a result of foreign exchange losses on translation of RMB, CHF and AUD denominated cash and bank balances.

Conversely, if HK$ had weakened by 10% against RMB, CHF and AUD, with all other variables held constant, post-tax loss for the year and retained profits would have been approximately HK$1,105,000 lower and higher respectively (2008: Nil), as a result of foreign exchange gains on translation of RMB, CHF and AUD denominated cash and bank balances.

The Company does not have significant exposure to foreign currency risk at the reporting date (31 December 2008: Nil).

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The carrying amounts of trade receivables, deposits and other receivables and cash and cash equivalent included in the face of the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group generally has established long-term and stable relationships with its customers. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group allows a range of credit periods from 30 days to 90 days to its trade customers. During the year ended 31 December 2008, the Group had provided impairment of trade receivables amounted to approximately HK$967,000.

The Group maintains its cash and cash equivalents with reputable banks in Hong Kong and the PRC, therefore the directors consider that the credit risk for such is minimal.

The credit and investment policies to manage foreign currency risk have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(d) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing assets in relation to cash at bank carried at effective interest rates with reference to the market. Details of which are disclosed in note 24. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal.

As 31 December 2009, if interest rates had been 100 basis points higher/lower, with all other variables held constant, post-tax loss and retained profits would have been approximately HK$6,360,000 (2008: HK$6,439,000) lower/higher and higher/lower respectively, as a result of increase/decrease in interest income on bank deposits. The Group has not used any financial instrument to hedge potential fluctuations in interest rates.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

The Company does not expose to interest rate risk as no interest-bearing borrowings at the reporting date.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(e) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Equity price risk

The Group is exposed to change in market prices of listed equity in respect of its investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 30% in the current year as a result of the volatile financial market.

In respect of the investments in listed equity classified as available-for-sale financial assets, if equity prices had been 30% higher/lower, other comprehensive income for the year ended 31 December 2009 would increase/decrease by approximately HK$845,000 respectively (2008: HK$951,000). This is mainly due to the change in fair value of available-for-sale financial assets.

In respect of the investments in listed equity classified as financial assets at fair value through profit or loss, if equity prices had been 30% higher, post-tax loss and the retained profits for the year ended 31 December 2009 would decrease/increase by approximately HK$3,347,000 respectively (2008: HK$2,006,000). Conversely, if equity prices had been 30% lower, post-tax loss and the retained profits for the year ended 31 December 2009 would increase/decrease by approximately HK$3,347,000 respectively (2008: HK$2,006,000). This is mainly due to the change in fair value of financial assets at fair value through profit or loss.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

The Company does not expose to other price risk as no listed equity investments held at the reporting date.

(f) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables and obligations under finance lease, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring the cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly.

The Group's liquidity is mainly dependent upon the cash received from its trade customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(f) Liquidity risk *(Continued)*

The following tables detail the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

Group

	As at 31 December 2009			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
Trade payables	**31,765**	**31,765**	**(31,765)**	**–**
Accruals and other payables	**22,955**	**22,955**	**(22,955)**	**–**
Obligations under finance lease	**87**	**87**	**(48)**	**(39)**
	54,807	**54,807**	**(54,768)**	**(39)**

	As at 31 December 2008				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000
Trade payables	34,403	34,403	(34,403)	–	–
Accruals and other payables	26,355	26,355	(26,355)	–	–
Obligations under finance lease	155	155	(55)	(55)	(45)
	60,913	60,913	(60,813)	(55)	(45)

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(f) Liquidity risk *(Continued)*

Company

As at 31 December 2009

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Accruals and other payables	**2,029**	**2,029**	**(2,029)**

As at 31 December 2008

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Accruals and other payables	2,120	2,120	(2,120)
Amounts due to subsidiaries	9,654	9,654	(9,654)
	11,774	11,774	(11,774)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

(g) Fair value measurement recognised in the consolidated statement of financial position

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(g) Fair value measurement recognised in the consolidated statement of financial position *(Continued)*

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2009 – Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets	2,815	–	–	2,815
Listed securities designated at fair value through profit or loss	11,157	–	–	11,157
Total fair values	13,972	–	–	13,972

There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The listed equity securities are denominated in HK$ and US$. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

37. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regards total equity attributable to the owners of the Company presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2009 amounted to approximately HK$739,762,000 (2008: approximately HK$739,461,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

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38. ULTIMATE HOLDING COMPANY

The directors consider Winspark Venture Limited, which is incorporated in the BVI, to be the ultimate holding company.

39. COMPARATIVE FIGURES

As a result of application of HKAS 1 (Revised 2007) Presentation of financial statements and HKFRS 8 Operating segments, certain comparative figures have been adjusted to conform with the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3 to the financial statements.