JU TENG INTERNATIONAL HOLDINGS LIMITED

巨 騰 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3336

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Hsieh Wan-Fu
Mr. Lo Jung-Te
Mr. Tsui Yung Kwok

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chwo-Ming (resigned on 31 July 2008)
Mr. Cherng Chia-Jiun (appointed on 31 July 2008)
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

COMPANY SECRETARY

Mr. Tsui Yung Kwok *CA, CPA, ACS*

QUALIFIED ACCOUNTANT

Mr. Tsui Yung Kwok *CA, CPA, ACS*

AUDIT COMMITTEE

Mr. Yu Chwo-Ming (resigned on 31 July 2008)
Mr. Cherng Chia-Jiun (appointed on 31 July 2008)
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Bank of China
Bank of Communications
Bank SinoPac
China Development Industrial Bank
First Sino Bank
Fubon Bank
Mega International Commercial Bank
Standard Chartered Bank
Taishin International Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3311-3312
Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 2 Gua Jing Road
Song Ling Town Economic Development District
Wu Jiang City
Jiang Su
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Street
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

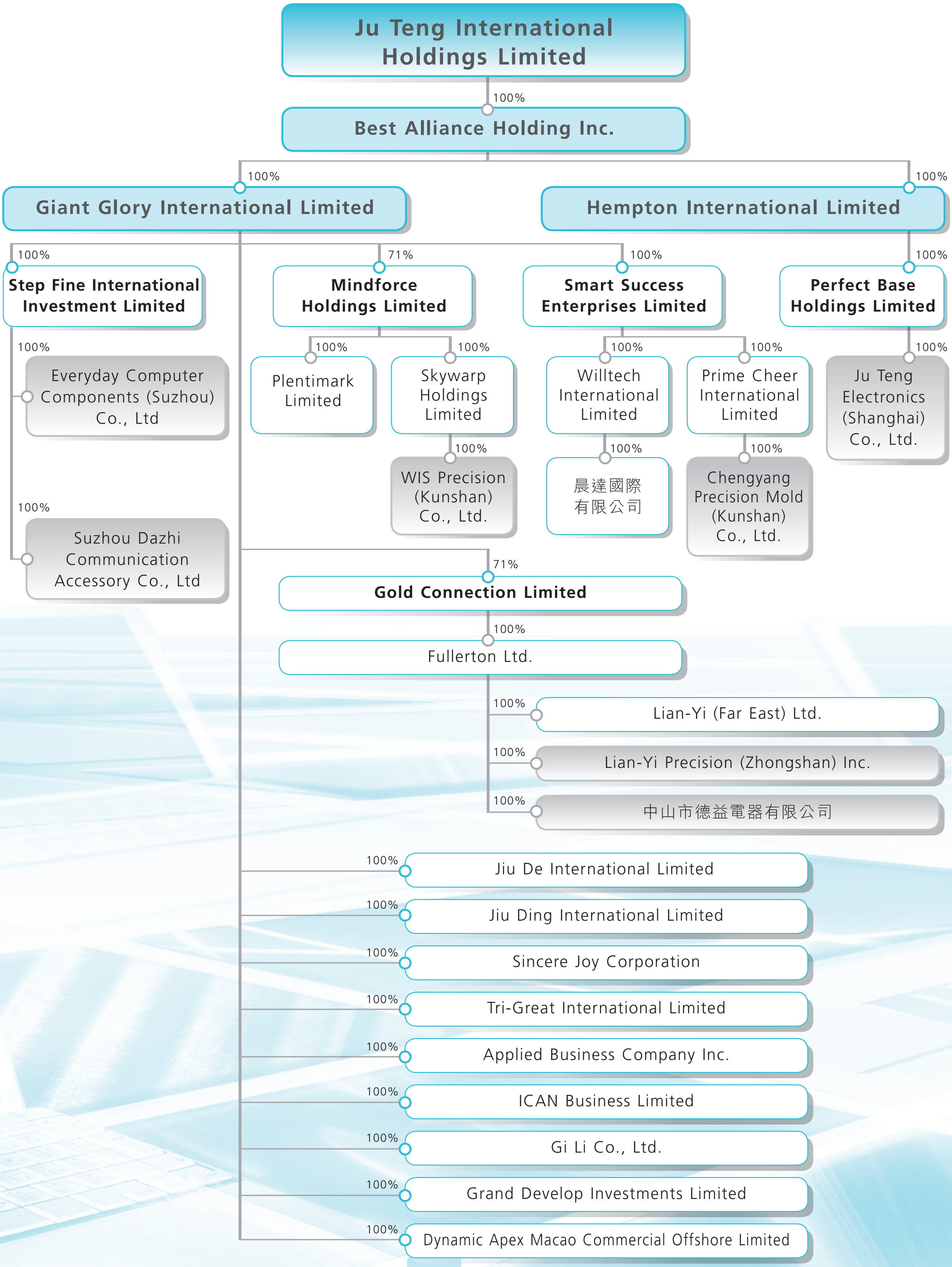
www.irasia.com/listco/hk/juteng

STOCK CODE

3336

GROUP STRUCTURE

As at 31 December 2008



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report of Ju Teng International Holdings Limited (the "Company" or "Ju Teng") for the year ended 31 December 2008.

BUSINESS REVIEW

Despite the economy slowdown in 2008, a phenomenal rise in the demand for notebook computers led to a satisfactory growth in the shipments of notebooks worldwide. This growth is attributed to the strong demand in emerging markets, the replacement of desktop computers by notebooks and the increasing popularity of low-cost notebooks in the market. It also sparked a trend where notebook brands are marketing their products on stylish casings instead of conventional casings to attract customers. Ju Teng benefited from this trend by its technological leadership in the application of in-mould decoration ("IMD"), which allows for tailor made casing surface treatment solutions for various notebook brands. During the year under review, Ju Teng performed relatively well in spite of the outbreak of the financial crisis in the fourth quarter and recorded revenue of HK$7,249 million, representing an increase of 37.4% from 2007.

Apart from the acquisition of the remaining 26% stake in Smart Success Enterprises Limited ("Smart Success"), a non-metal mould manufacturer in April 2008, Ju Teng also took steps in diversifying its business by completing two other investments. During 2008, the Group acquired a 71% stake in Gold Connection Limited ("Gold Connection"), whose principal business is the manufacturing of LCD TV casings. The Group has also entered into agreements for the subscription and acquisition of an aggregate of 53.4% interest in Wah Yuen Technology Holding Limited ("Wah Yuen"), which is a magnesium alloy casing manufacturer during 2008, and such subscription and acquisition have been completed as at the date of this report. These investments not only strengthen Ju Teng's relationship with its customers but also magnify the Group's operation and development in the years to come.

PROSPECTS

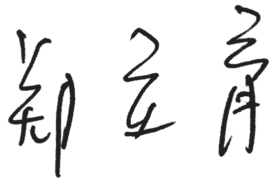
2009 will be a challenging year as a prolonged recession could reduce consumer's spending power. Despite this, Ju Teng remains conservatively optimistic for the prospects of the notebook market, where the penetration rate is still low. Desktop computer replacements and the launch of low-cost notebooks as a low-cost solution for buyers will help sustain the momentum of notebook shipment. The Group's technological edge and strong relationship with the major notebook manufacturers well-position the Group to capture more customer orders and gain additional market share from other competitors who are experiencing difficulties in meeting working capital needs amid an unfavourable credit environment.

The management will remain focused on efforts to reduce costs, improve operating efficiencies and deliver advanced casing technology that offer value to the customers. Should the global economy begin to stabilize, the Company is well equipped to secure customer orders of both plastic casings for individual users and higher-margin metal casings mostly for corporate users.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to express my gratitude to our shareholders and business partners for their commitment and continuous support. On behalf of the Company, I would also like to thank the Board and all my dedicated colleagues for their efforts over the past year.



Chairman

Hong Kong
31 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and gross margin

Despite the global economic downturn in 2008, the Group achieved a 37.4% increase in turnover to approximately HK$7,249 million (2007: HK$5,276 million). The Group benefited from the trend of desktop-to-notebook replacement and the launch of low-cost notebooks. As Ju Teng's advanced surface finishing capabilities like IMD technology enjoy a higher margin, the overall gross profit margin of the Group for the year ended 31 December 2008 improved to 16.7% (2007: 15.1%).

Operating expenses

The Group's operating costs and other operating expenses, including administrative expenses, selling and distribution costs and other expenses rose by 35.7% to approximately HK$418 million, which was in line with the expansion of the Group's operational scale. Operating costs for both 2007 and 2008 remained at about 5.8% of the Group's turnover.

Finance costs

Finance costs decreased by 24.8% to approximately HK$75 million during the year. Such decrease was due to the decline in interest cost and lower utilization of trade receivable factoring facilities.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2008 amounted to approximately HK$658 million, representing an increase of 60.5% when compared to that of last year (2007: HK$410 million). The uplift in profit was mainly attributable to the increase in turnover and continuous improvement in gross margin.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cash flow as well as banking facilities.

In July 2008, the Group successfully entered into a facility agreement with a syndicate of Taiwan banks to secure a 3-year revolving loan facility of USD120 million at an interest rate of LIBOR plus 0.85-1.15% dependent on the gearing ratio. This facility has substantially enhanced the Group's cash flow liquidity.

As at 31 December 2008, total bank borrowings of the Group amounted to approximately HK$1,877 million, representing an increase of 147.9% as compared to that of 2007, which was mainly used in financing the fixed asset expansion and the acquisition of investments. The Group's bank borrowings include short-term loans with 1-year maturity and the above mentioned 3-year revolving syndicated loan. The Group's bank loans denominated in USD and New Taiwan dollars were carrying the amounts of approximately HK$1,858 million (31 December 2007: HK$644 million) and approximately HK$19 million (31 December 2007: HK$20 million) respectively. The Group had no bank loan denominated in Renminbi ("RMB") (31 December 2007: HK$93 million) as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group recorded a net cash outflow from operating activities of approximately HK$217 million (2007: net cash inflow of HK$414 million). It is mainly due to the substantial increase in trade receivable of approximately HK$1,162 million and low utilization of trade receivable factoring facilities with only approximately HK$74 million as at 31 December 2008 compared to that of approximately HK$444 million as at 31 December 2007. Due to the expansion of production capacity, the acquisitions of 26% interest in Smart Success and 71% interest in Gold Connection during 2008 and the subscription and acquisition of 53.4% interest in Wah Yuen (which agreements were signed in October 2008 and completed in March 2009) together with the increase in pledged bank balances of approximately HK$56 million, a net cash outflow from investing activities of approximately HK$867 million was recorded (2007: HK$110 million). As additional bank loans were obtained to finance the acquisitions, the subscription and the expansion, the Group recorded a net cash inflow from financing activities of approximately HK$1,106 million (2007: net cash outflow of HK$83 million). As at 31 December 2008, the Group had cash and bank balances of approximately HK$451 million (31 December 2007: HK$406 million) and had available but unutilised banking facilities of approximately HK$619 million.

As announced by the Company on 10 October 2008, the Group has applied for the offering and listing of Taiwan Depositary Receipts ("TDR") on the Taiwan Stock Exchange as a diversified funding source. The timing for the launch of the TDR issue and the amount of funds to be raised from the TDR issue have not been fixed. The decision to proceed with the TDR issue is dependent upon, among others, market conditions during the period leading up to the TDR issue.

The gearing ratio of the Group as at 31 December 2008, calculated as total bank borrowings of approximately HK$1,877 million (31 December 2007: HK$757 million) divided by total assets of approximately HK$7,144 million (31 December 2007: HK$5,224 million) was 26.3% (31 December 2007: 14.5%). The increase in gearing ratio was due to the increase in bank borrowings.

PLEDGE OF ASSETS

As at 31 December 2008, the Group pledged land and buildings and machinery with an aggregate carrying value of approximately HK$70 million (31 December 2007: HK$96 million), trade receivables of approximately HK$193 million (31 December 2007: HK$351 million), bank balances of approximately HK$81 million (31 December 2007: HK$49 million) and shares in certain subsidiaries as securities for bank facilities.

FOREIGN EXCHANGE EXPOSURE

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of value of RMB will adversely affect the Group's profitability. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses in relation to the fluctuations in the values of the USD and RMB. The fair value of these foreign exchange contracts was recognised as derivative financial instruments of approximately HK$24 million under assets as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2008, the Group had approximately 25,000 employees. The Group recorded staff costs of approximately HK$838 million (2007: HK$621 million). The Group's employees are remunerated in line with prevailing market terms and individual performance, with their remuneration packages and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all of its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

CAPITAL COMMITMENT

As at 31 December 2008, the Group had contracted but not provided for in the financial statements in respect of the acquisition of land and building, machinery and an investment amounted to approximately HK$428 million (31 December 2007: HK$45 million).

CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any significant contingent liabilities.

MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 50, is the chairman of our Group. Mr. Cheng Li-Yu is the younger brother of Mr. Cheng Li-Yen and he is one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting 23 years ago. Mr. Cheng is responsible for the Group's overall corporate strategy, operation management, market planning and the Group's future development. Mr. Cheng Li-Yu was appointed as an executive Director in 15 July 2004. Mr. Cheng is currently the director of Southern Asia Management Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" in this annual report.

Mr. Cheng is the cousin of Mr. Cheng Li-Chen, a senior management of the Group.

Mr. Cheng Li-Yen (鄭立彥), aged 55, is an executive Director. Mr. Cheng is the elder brother of Mr. Cheng Li-Yu and he is also one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting over 17 years and later joined the management of Sunrise Plastic Injection Company Limited in around 2000. Mr. Cheng is responsible for the Group's overall resource planning and plant development. He was appointed as an executive Director on 10 June 2005.

Mr. Cheng is the cousin of Mr. Cheng Li-Chen, a senior management of the Group.

Mr. Huang Kuo-Kuang (黃國光), aged 48, is an executive Director. He joined the Group in February 2001 as a member of the Group's senior management and has been responsible for the Group's daily operations and for overseeing the Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd ("Suzhou Dazhi"), since their establishment. He was appointed as senior vice president of Everyday Computer and of Suzhou Dazhi in 2002. He has more than 17 years' experience in the computer industry. He is responsible for the planning and accomplishment of the Group's procurement and operation management. Mr. Huang was appointed as an executive Director on 10 June 2005.

Mr. Hsieh Wan-Fu (謝萬福), aged 45, is an executive Director. He joined the Group as senior vice president in 2003. He is responsible for the establishment of quality control system, supervision of the Group's production in spray painting, development of new technology in dust-free spray painting and promotion of the Group's new technology in dust-free spray painting to the Group's customers. Mr. Hsieh was appointed as an executive Director on 25 May 2006.

Mr. Lo Jung-Te (羅榮德), aged 49, is an executive Director. He joined the Group as senior vice president in 2004. He is responsible for the supervision of the manufacture and development of the Group's machinery moulding. He is also responsible for assisting with the Group's expansion of new markets into non-notebook computer casing manufacturing. Mr. Lo was appointed as an executive Director on 25 May 2006.

Mr. Lo is the elder brother of Mr. Lo Chi-Yun, a senior management of the Group.

MANAGEMENT PROFILE

Mr. Tsui Yung Kwok (徐容國), aged 40, is an executive Director, the chief financial officer and the company secretary of the Group and is responsible for the overall financial management and company secretarial functions of the Group. He holds a master degree in corporate governance and a bachelor degree in business (Accounting). He is also a member of the Institute of Chartered Accountants in Australia, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Before joining our Group in August 2004, Mr. Tsui had been the chief financial officer of a Hong Kong listed company and held a senior position in an international accounting firm in Hong Kong. He had over 15 years' experience in accounting and finance. Mr. Tsui was appointed as an executive Director on 10 June 2005.

Independent non-executive Directors

Mr. Yu Chwo-Ming (于卓民), aged 54, had been an independent non-executive Director during the year ended 31 December 2008. He obtained his doctorate degree in business administration from the University of Michigan. Mr. Yu is knowledgeable in corporate governance and management. Mr. Yu was an assistant professor of business administration in the University of Illinois and has been a professor of business administration in the National Chengchi University since 1992. He currently serves as a director at HannStar Display Corporation (a company listed on the Taiwan Stock Exchange) and at Yuanta Securities. He was appointed as an independent non-executive Director on 10 June 2005, and resigned as an independent non-executive Director on 31 July 2008.

Mr. Cherng Chia-Jiun (程嘉君), aged 54, graduated from the National Chengchi University with a Master's degree in Business Administration and a Bachelor of Science degree in Statistics. Mr. Cherng is currently the director of 兆赫電子股份有限公司 (Zinwell Corporation), a company listed on the Taiwan Stock Exchange Corporation ("TSEC"). He is also the supervisor of 建碁股份有限公司 (AOpen Incorporated), a company listed on the TSEC. Furthermore, he was the director and President of 數位聯合電信股份有限公司 (Digital United Inc.), whose shares are traded on the Taiwan OTC Exchange until 16 March 2009. From 1979 to 1998, Mr. Cherng was with the Taiwan based Institute for Information Industry (III), serving in various capacities including general manager of the Network Business Group, director of the Technology Service Group, director of the Market Intelligence Center, and program director of the Technology Research Division. Mr. Cherng was appointed as an independent non-executive Director on 31 July 2008. The term of office of Mr. Cherng as an independent non-executive Director ended on 26 February 2009, being the date on which the first general meeting was held after his appointment by the Board. As approved by the Board, his term of office as an independent non-executive Director continued after 26 February 2009 and shall end on the date of the forthcoming general meeting of the Company.

Mr. Tsai Wen-Yu (蔡文預), aged 55, is an independent non-executive Director. He obtained his master degree in business administration from the National Chengchi University. He has extensive experience in accounting and corporate governance. Mr. Tsai is a certified public accountant in Taiwan. He is also the supervisor of Hua Nan Financial Holdings Co., Ltd. and is the director of Maywufa Company Ltd., both are listed on the Taiwan Stock Exchange. He was appointed as an independent non-executive Director on 10 June 2005.

MANAGEMENT PROFILE

Mr. Yip Wai Ming (葉偉明), aged 43, is an independent non-executive Director. He has more than 20 years of experience in finance and accounting, and had held senior positions in an international accounting firm, a major European bank and listed companies in Hong Kong. Mr. Yip graduated from the University of Hong Kong with a Bachelor's degree in social sciences and from the University of London with a Bachelor's degree in law. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. He was appointed as an independent non-executive Director on 10 May 2006.

SENIOR MANAGEMENT

Mr. Huang Cheng Pin (黃正斌), aged 43, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Huang has over 11 years of experience in the banking field and is responsible for the Group's exports of products and imports of production materials. He also assists the board of Directors in the evaluation of investment projects as well as the Group's financial planning and funding matters.

Mr. Lu Fu-Hsing (呂福興), aged 43, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Lu has over 18 years of experience in quality control. He was appointed to assist Mr. Cheng Li-Yu in the development of the quality control system of the Group. He is also responsible for the design and enhancement of the Group's quality control, and the monitoring and rectification of the matters in relation to the operations and management of the Group.

Mr. Liao Cheng-Yuan (廖正元), aged 49, is an assistant to Mr. Cheng Li-Yu and joined the Group in 2004. He is responsible for assisting with the planning and implementation of the Group's projects. He is also responsible for the introduction of new products and the supervision of the pilot run of the Group's new products.

Mr. Chao Min-Jen (趙明仁), aged 40, is an associate vice president of the Group who joined the Group in 2002. Mr. Chao has been working in the industrial and electronics field for over 16 years. He is responsible for assisting in the price determination of the Group's products, and for supporting the sales and marketing function and aftersales services.

Mr. Liu Wei-Cheng (劉為政), aged 51, is an associate vice president of the Group who joined the Group in 2002. Mr. Liu has been working in the electronic goods casing industry for over 20 years. He is responsible for the supervision of the Group's production in plastic injection, the development of new technology in plastic injection and the improvement of the Group's production efficiency. He is also responsible for the project review on the source of development for injection moulding in progress. In addition, he helps coordinate the communication and liaison between the plastic injection moulding development unit and the injection moulding production unit.

Mr. Chang Tsun (張圳), aged 45, is an associate vice president of the Group who joined the Group in 2001. Mr. Chang has been working in the metal industry for 22 years. He is responsible for the supervision of the Group's metal stamping and the development of machinery moulding and new technology in metal stamping.

MANAGEMENT PROFILE

Mr. Lo Chi-Yun (羅啟允), aged 38, is an associate vice president of the Group who joined the Group in 2004. He has been working in the precision plastic injection moulding industry for over 15 years. He is responsible for the development and maintenance of the Group's moulding in plastic injection, as well as the new technology research and development of the injection moulding of plastic moulds.

Mr. Lo is the younger brother of Mr. Lo Jung-Te, an executive Director.

Mr. Cheng Li-Chen (鄭立晨), aged 39, is an associate vice president of the Group who joined the Group in 2002. He has been working in the plastic product surface coating industry for over 19 years. Mr. Cheng is responsible for the manufacturing process and production of the surface coating for the Group's plastic casing products, the improvement in efficiency and cost reductions. In addition to specializing in the research and development of the new technology of three dimensional coating, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all coating production facilities of the Group.

Mr. Cheng is the cousin of Mr. Cheng Li-Yu and Cheng Li-Yen, both executive Directors.

Mr. Yeh Chih-Yuan (葉志原), aged 43, is an associate vice president of the Group who joined the Group in 2002. He has been working in the plastic product surface coating industry for over 19 years. Mr. Yeh is responsible for the manufacturing process and production of the surface coating for the Group's plastic casing products as well as enhancing efficiency and lowering costs. In addition to specializing in the research and development of the new technology of three dimensional coating, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all coating production facilities of the Group.

Mr. Cheng Hsing-Liang (鄭行良), aged 45, is an associate vice president of the Group who joined the Group in 2003. He has been working in the electronic goods plastic casing injection moulding industry for over 21 years. He is responsible for the supervision of the Group's production in plastic injection, the development of new technology in plastic injection and the improvement of the Group's production efficiency. Meanwhile, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all injection moulding production facilities of the Group.

Mr. Chang Chin-Shin (張金獅), aged 49, is an associate vice president of the Group who joined the Group in 2003. He has been working in the plastic moulding industry for 20 years. He is responsible for the planning and implementation of the projects on the new products manufactured by the Group, as well as the coordination with customers in relation to all products of the Group during pilot runs and mass production.

Mr. Chu San-Tai (朱三泰), aged 34, is an associate vice president of the Group who joined the Group in 2003. He has 13 years of experience in quality control. He is responsible for the supervision of the Group's quality control department and all quality control system certifications and system maintenance.

Mr. Chang Cheng-Fu (張正富), aged 48, is an associate vice president of the Group who joined the Group in 2004. He has 15 years of experience in electronic goods assembling. He is responsible for the assembling production of all products of the Group, primarily specializing in the improvement in production efficiency and cost reduction for the product assembling segment, and the research on new technologies including printing and laser engraving as well as the improvement in efficiency.

Mr. Yasunori Lijima (飯島康弘), aged 49, is an associate vice president of the Group who joined the Group in 2008. He is responsible for the monitoring and implementation of the Group's quality control in Suzhou Dazhi and Everyday Computer.

REPORT OF THE DIRECTORS

The directors ("Directors") of Ju Teng International Holdings Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (the "Subsidiaries" and together with the Company, the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and the Group at 31 December 2008 are set out in the financial statements on pages 35 to 101.

The Directors recommend the payment of a final dividend of HK5 cents per ordinary share in respect of the year to shareholders whose names appeared on the register of members on 21 May 2009. This recommendation has been incorporated in the financial statements as an allocation of contributed surplus within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus (the "Prospectus") of the Company dated 25 October 2005, is set out on page 102. This summary does not form part of the audited financial statements of the Group for the year ended 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of 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 are set out in notes 29 and 30 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares ("Shares") on a pro rata basis to the existing shareholders of the Company.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of the Subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity in the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution, as calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$914,444,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1,820,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 92% of the total sales for the year and sales to the largest customer amounted to approximately 31% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. None of the Directors nor any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) of the Company had any interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year were:

Executive Directors:
Mr. Cheng Li-Yu
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Hsieh Wan-Fu
Mr. Lo Jung-Te
Mr. Tsui Yung Kwok

Independent non-executive Directors:
Mr. Yu Chwo-Ming *(resigned on 31 July 2008)*
Mr. Cherng Chia-Jiun *(appointed on 31 July 2008)*
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

REPORT OF THE DIRECTORS

In accordance with article 108(A) of the Company's articles of association, Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang and Mr. Lo Jung-Te will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

In accordance with article 112 of the Company's articles of association, the office of Mr. Cherng Chia-Jiun will end at the forthcoming annual general meeting of the Company. Mr. Cherng Chia-Jiun, being eligible, will offer himself for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Hsieh Wan-Fu and Mr. Lo Jung-Te, both being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cherng Chia-Jiun, being independent non-executive Director, has been appointed for a term of two years commencing from 31 July 2008 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

REPORT OF THE DIRECTORS

Mr. Tsai Wen-Yu, being independent non-executive Director, has been appointed for a term of two years commencing from 17 June 2005 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Yip Wai Ming, being independent non-executive Director, has been appointed for a term of two years commencing from 25 May 2006 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of the Subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements and in the section headed "Connected transactions and continuing connected transactions" in this report, 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 the Subsidiaries was a party subsisting during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Save as disclosed in note 36 to the financial statements, no contract of significance had been entered into between the Company or any of the Subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

Save as disclosed in note 36 to the financial statements, no contract of significance for the provision of services to the Group by the controlling shareholder of the Company or any of its subsidiaries was entered into.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares

Name of Director	Nature of interest	Number and class of Shares held *(Note 1)*	Approximate percentage of shareholding
Mr. Cheng Li-Yu	Founder of a discretionary trust *(Note 2)*	273,556,986 (L) ordinary Shares	27.36%
	Beneficial owner	36,778,000 (L) ordinary Shares	3.68%
	Interest of spouse *(Note 3)*	10,518,046 (L) ordinary Shares	1.05%
Mr. Cheng Li-Yen	Beneficiary of a trust *(Note 2)*	273,556,986 (L) ordinary Shares	27.36%
Mr. Huang Kuo-Kuang	Beneficial owner	2,423,866 (L) ordinary Shares	0.24%
	Interest of spouse *(Note 4)*	5,742,631 (L) ordinary Shares	0.57%
Mr. Hsieh Wan-Fu	Beneficial owner	4,294,432 (L) ordinary Shares	0.43%
Mr. Lo Jung-Te	Beneficial owner	5,967,942 (L) ordinary Shares	0.60%

REPORT OF THE DIRECTORS

Notes:

1. The letter "L" denotes a long position in the Shares.

2. The Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was beneficially owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include, among others, Mr. Cheng Li-Yen and Mr. Cheng Li-Yu. Mr. Cheng Li-Yen and Mr. Cheng Li-Yu were deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO.

3. Mr. Cheng Li-Yu is the husband of Ms. Lin Mei-Li and he was deemed to be interested in all the Shares in which Ms. Lin Mei-Li was interested by virtue of the SFO.

4. Mr. Huang Kuo-Kuang is the husband of Ms. Wang Shu-Hui and he was deemed to be interested in all the Shares in which Ms. Wang Shu-Hui was interested by virtue of the SFO.

(ii) Interests in underlying Shares

Name of Director	Nature of interest	Number of underlying shares *(Note 1)*	Exercise period	Exercise price per Share	Approximate percentage of Shareholding
Mr. Huang Kuo-Kuang	Beneficial owner	1,000,000 (L) *(Note 2)*	7 November 2009 to 6 November 2016	HK$1.56	0.09% *(Note 4)*
	Beneficial owner	1,000,000 (L) *(Note 2)*	7 November 2010 to 6 November 2016	HK$1.56	0.09% *(Note 4)*
	Beneficial owner	1,000,000 (L) *(Note 2)*	7 November 2011 to 6 November 2016	HK$1.56	0.09% *(Note 4)*
	Beneficial owner	252,000 (L) *(Note 3)*	7 November 2012 to 23 April 2018	HK$2.75	0.02% *(Note 4)*
	Beneficial owner	252,000 (L) *(Note 3)*	7 November 2013 to 23 April 2018	HK$2.75	0.02% *(Note 4)*
	Beneficial owner	252,000 (L) *(Note 3)*	7 November 2014 to 23 April 2018	HK$2.75	0.02% *(Note 4)*

REPORT OF THE DIRECTORS

Name of Director	Nature of interest	Number of underlying shares *(Note 1)*	Exercise period	Exercise price per Share	Approximate percentage of Shareholding
Mr. Hsieh Wan-Fu	Beneficial owner	500,000 (L) *(Note 2)*	7 November 2009 to 6 November 2016	HK$1.56	0.05% *(Note 4)*
	Beneficial owner	500,000 (L) *(Note 2)*	7 November 2010 to 6 November 2016	HK$1.56	0.05% *(Note 4)*
	Beneficial owner	500,000 (L) *(Note 2)*	7 November 2011 to 6 November 2016	HK$1.56	0.05% *(Note 4)*
	Beneficial owner	554,000 (L) *(Note 3)*	7 November 2012 to 23 April 2018	HK$2.75	0.05% *(Note 4)*
	Beneficial owner	554,000 (L) *(Note 3)*	7 November 2013 to 23 April 2018	HK$2.75	0.05% *(Note 4)*
	Beneficial owner	554,000 (L) *(Note 3)*	7 November 2014 to 23 April 2018	HK$2.75	0.05% *(Note 4)*
Mr. Lo Jung-Te	Beneficial owner	500,000 (L) *(Note 2)*	7 November 2009 to 6 November 2016	HK$1.56	0.05% *(Note 4)*
	Beneficial owner	500,000 (L) *(Note 2)*	7 November 2010 to 6 November 2016	HK$1.56	0.05% *(Note 4)*
	Beneficialowner	500,000 (L) *(Note 2)*	7 November 2011 to 6 November 2016	HK$1.56	0.05% *(Note 4)*
	Beneficial owner	554,000 (L) *(Note 3)*	7 November 2012 to 23 April 2018	HK$2.75	0.05% *(Note 4)*
	Beneficial owner	554,000 (L) *(Note 3)*	7 November 2013 to 23 April 2018	HK$2.75	0.05% *(Note 4)*
	Beneficial owner	554,000 (L) *(Note 3)*	7 November 2014 to 23 April 2018	HK$2.75	0.05% *(Note 4)*

REPORT OF THE DIRECTORS

Name of Director	Nature of interest	Number of underlying shares *(Note 1)*	Exercise period	Exercise price per Share	Approximate percentage of Shareholding
Mr. Tsui Yung Kwok	Beneficial owner	2,800,000 (L) *(Note 5)*	3 November 2006 to 16 June 2015	HK$1.26	0.25% *(Note 4)*
	Beneficial owner	332,667 (L) *(Note 2)*	7 November 2009 to 6 November 2016	HK$1.56	0.03% *(Note 4)*
	Beneficial owner	332,667 (L) *(Note 2)*	7 November 2010 to 6 November 2016	HK$1.56	0.03% *(Note 4)*
	Beneficial owner	332,666 (L) *(Note 2)*	7 November 2011 to 6 November 2016	HK$1.56	0.03% *(Note 4)*
	Beneficial owner	252,000 (L) *(Note 3)*	7 November 2012 to 23 April 2018	HK$2.75	0.02% *(Note 4)*
	Beneficial owner	252,000 (L) *(Note 3)*	7 November 2013 to 23 April 2018	HK$2.75	0.02% *(Note 4)*
	Beneficial owner	252,000 (L) *(Note 3)*	7 November 2014 to 23 April 2018	HK$2.75	0.02% *(Note 4)*

Notes:

1. The letter "L" denotes a long position in the underlying Shares.

2. The long position in the underlying Shares comprised 3,000,000, 1,500,000, 1,500,000 and 998,000 options granted to Mr. Huang Kuo-Kuang, Mr. Hsieh Wan-Fu, Mr. Lo Jung-Te and Mr. Tsui Yung Kwok, respectively, by the Company on 7 November 2006 under the post-IPO share option scheme (the "Post-IPO Share Option Scheme") of the Company and such share options remained outstanding as at 31 December 2008.

3. The long position in the underlying Shares comprised 756,000, 1,662,000, 1,662,000 and 756,000 options granted to Mr. Huang Kuo-Kuang, Mr. Hsieh Wan-Fu, Mr. Lo Jung-Te and Mr. Tsui Yung Kwok, respectively, by the Company on 24 April 2008 under the Post-IPO Share Option Scheme and such share options remained outstanding as at 31 December 2008.

4. This percentage was calculated on the basis of 1,100,000,000 Shares in issue immediately following the exercise in full of all the options granted under the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company and the Post-IPO Share Option Scheme at the same time and assuming that there would be no change in the total issued share capital of the Company other than as enlarged by the exercise of these options prior to the exercise in full of these options.

5. Mr. Tsui Yung Kwok's long position in the underlying Shares comprised 2,800,000 options granted to him by the Company on 17 June 2005 under the Pre-IPO Share Option Scheme and such share options remained outstanding as at 31 December 2008.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 30 to the financial statements, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children (natural or adopted), or were such rights exercised by them; or was the Company or any of the Subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates the Post-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details are disclosed in note 30 to the financial statements.

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

Name or category of participant	Number of share options At 1 January 2008	Granted during the year	Lapsed during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per Share	Price of the Shares at grant date of share options*** HK$ per Share
Directors								
Mr. Huang Kuo-Kuang	1,000,000	–	–	1,000,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	1,000,000	–	–	1,000,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	1,000,000	–	–	1,000,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	252,000	–	252,000	24-4-2008	7-11-2012 to 23-4-2018	2.75	2.75
	–	252,000	–	252,000	24-4-2008	7-11-2013 to 23-4-2018	2.75	2.75
	–	252,000	–	252,000	24-4-2008	7-11-2014 to 23-4-2018	2.75	2.75
	3,000,000	756,000	–	3,756,000				

REPORT OF THE DIRECTORS

Name or category of participant	Number of share options: At 1 January 2008	Granted during the year	Lapsed during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Shares at grant date of share options*** HK$
Mr. Hsieh Wan-Fu	500,000	–	–	500,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	500,000	–	–	500,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	500,000	–	–	500,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	554,000	–	554,000	24-4-2008	7-11-2012 to 23-4-2018	2.75	2.75
	–	554,000	–	554,000	24-4-2008	7-11-2013 to 23-4-2018	2.75	2.75
	–	554,000	–	554,000	24-4-2008	7-11-2014 to 23-4-2018	2.75	2.75
	1,500,000	1,662,000	–	3,162,000				
Mr. Lo Jung-Te	500,000	–	–	500,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	500,000	–	–	500,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	500,000	–	–	500,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	554,000	–	554,000	24-4-2008	7-11-2012 to 23-4-2018	2.75	2.75
	–	554,000	–	554,000	24-4-2008	7-11-2013 to 23-4-2018	2.75	2.75
	–	554,000	–	554,000	24-4-2008	7-11-2014 to 23-4-2018	2.75	2.75
	1,500,000	1,662,000	–	3,162,000				
Mr. Tsui Yung Kwok	332,667	–	–	332,667	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	332,667	–	–	332,667	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	332,666	–	–	332,666	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	252,000	–	252,000	24-4-2008	7-11-2012 to 23-4-2018	2.75	2.75
	–	252,000	–	252,000	24-4-2008	7-11-2013 to 23-4-2018	2.75	2.75
	–	252,000	–	252,000	24-4-2008	7-11-2014 to 23-4-2018	2.75	2.75
	998,000	756,000	–	1,754,000				
Other employees								
In aggregate	14,334,000	–	(856,000)	13,478,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	14,334,000	–	(856,000)	13,478,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	14,334,000	–	(856,000)	13,478,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	–	14,121,333	(54,667)	14,066,666	24-4-2008	7-11-2012 to 23-4-2018	2.75	2.75
	–	14,121,333	(54,667)	14,066,666	24-4-2008	7-11-2013 to 23-4-2018	2.75	2.75
	–	14,121,334	(54,666)	14,066,668	24-4-2008	7-11-2014 to 23-4-2018	2.75	2.75
	43,002,000	42,364,000	(2,732,000)	82,634,000				
	50,000,000	47,200,000	(2,732,000)	94,468,000				

Notes to the reconciliation of share options outstanding during the year:

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

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

*** The price of the Shares disclosed as at the date of grant of the share options is the Stock Exchange closing price of the Shares on the trading day immediately prior to the date of grant of the options.

The Directors have estimated the following theoretical valuations of the options granted under the Post-IPO Share Option Scheme during the year, calculated using the Black-Scholes option pricing model as at the date of the grant of the options:

Grantee	**Number of options granted**	**Theoretical value of share options**
		HK$
Mr. Huang Kuo-Kuang	756,000	906,000
Mr. Hsieh Wan-Fu	1,662,000	1,992,000
Mr. Lo Jung-Te	1,662,000	1,992,000
Mr. Tsui Yung Kwok	756,000	906,000
Other employees	42,364,000	50,771,000
	47,200,000	56,567,000

The Black-Scholes model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the theoretical value of the options were:

Dividend yield (%)	2
Expected volatility (%)	52.66
Risk-free interest rate (%)	2.33 – 2.47
Weighted average expected life of option (year)	6.54
Underlying price per Share (HK$)	2.75

The measurement date used in the valuation calculations was the date on which the options were granted.

The value of share options calculated using the Black-Scholes model is subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2008, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity and nature of interest	Number and class of Shares held *(Note 1)*	Approximate percentage of shareholding
Southern Asia	Beneficial owner	273,556,986 (L) ordinary Shares	27.36%
Shine Century Assets Corp. *(Note 2)*	Interest of a controlled corporation	273,556,986 (L) ordinary Shares	27.36%
East Asia International Trustees Limited *(Note 2)*	Trustee (other than a bare trustee)	273,556,986 (L) ordinary Shares	27.36%
Ms. Lin Mei-Li *(Note 3)*	Beneficial owner	10,518,046 (L) ordinary Shares	1.05%
	Interest of spouse	310,334,986 (L) ordinary Shares	31.03%

Notes:

1. The letter "L" denotes a long position in the Share.

2. The Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was owned by the Cheng Family Trust, the trustee of which was East Asia International Trustees Limited. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustee Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO. The Shares registered in the name of Southern Asia were also disclosed as the interest of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares" above.

3. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year under review, the Group had conducted the following connected transactions and continuing connected transactions which were required to be disclosed pursuant to Rules 14A.45 and 14A.46 of the Listing Rules:

REPORT OF THE DIRECTORS

Connected Transaction

(a) On 21 April 2008, Giant Glory International Limited ("Giant Glory"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Chen Yung-Chang and Mr. Ho Chung-Yu for the acquisition of 17% and 9% of the issued share capital of Smart Success Enterprises Limited ("Smart Success"), respectively. Immediately before completion of the acquisition, Smart Success was a non-wholly-owned subsidiary of the Company. One of the vendors, Mr. Chen Yung-Chang, was a substantial shareholder of Smart Success before completion of the acquisition and therefore was a connected person of the Company. As such, the acquisition constituted a connected transaction for the Company. The total consideration for the acquisition was US$3,120,000 which was fully settled by the Group in cash upon completion of the acquisition. Immediately after the completion of the acquisition, Smart Success became a wholly-owned subsidiary of the Company.

Continuing Connected Transactions

(a) On 22 October 2007, Gi Li Co., Ltd. ("Gi Li"), an indirect wholly-owned subsidiary of the Company entered into a material purchase agreement with San Li Company Limited ("San Li") in relation to the purchase of production materials by the Group from San Li. As the entire issued share capital of San Li is beneficially owned by Mr. Cheng Li-Yu, the Chairman and an executive Director, and his family members, San Li is a connected person of the Company. Pursuant to the material purchase agreement, the Group agreed to purchase the production materials from time to time supplied and/or produced by San Li at prices to be determined from time to time by the parties with reference to the market prices and on such terms of purchases based principally on the standard terms of sales of San Li from time to time, provided that such terms are on normal and usual commercial terms and are no less favourable as those applicable to the sale of same type of production materials by San Li to independent third parties. Purchase price for the production materials shall be payable by the Group in arrears after the delivery of the production materials to the Group and within 120 days after the issue of invoice by San Li. The material purchase agreement has a term of three years commencing from 1 January 2008 and ending on 31 December 2010, unless terminated earlier by three months' written notice by either party.

The total purchase of the production materials by the Group from San Li amounted to approximately HK$1,446,000 for the year ended 31 December 2008 (2007: HK$7,405,000).

(b) On 27 March 2006, Giant Glory entered into an agreement with Wistron Corporation ("Wistron"), pursuant to which the Group agreed to sell the casings for electronic products and related materials manufactured and/or supplied by the Group (the "Products") to Wistron and its subsidiaries (the "Wistron Group"), at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The above agreement had a term expired on 31 December 2008 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK$2,233,905,000 for the year ended 31 December 2008 (2007: HK$1,188,126,000).

Wistron is a substantial shareholder of both Mindforce Holdings Limited and Gold Connection Limited, indirect 71%-owned subsidiaries of the Company.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions disclosed in note 36 to the financial statements.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

On 6 October 2005, Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, being the existing Directors, San Li and Sunrise Plastic Injection Company Limited ("Sunrise"), being their respective associates, had given irrevocable non-compete undertaking (collectively the "Non-compete Undertakings") in favour of the Group pursuant to which each of them irrevocably, unconditionally and severally undertaken, among other matters, not to, directly or indirectly, invest in, be engaged in or participate in any business or activity which would or might compete with the business of the Group. Details of the Non-compete Undertakings have been set out in the sub-paragraph headed "Non-compete undertaking" of the paragraph headed "Potential competing business of our controlling shareholder, our Directors and their respective associates" under the section headed "Business" of the prospectus of the Company dated 25 October 2005 in respect of its initial public offering.

The Company has received the annual confirmations from each of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, being the existing Directors and San Li and Sunrise, being their respective associates, in respect of their respective compliance with the terms of the Non-compete Undertakings.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2008.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

There has been no change of the auditors of the Company since the listing of the Company's shares on the Main Board of the Stock Exchange on 3 November 2005.

ON BEHALF OF THE BOARD

鄭立育

Chairman

Hong Kong
31 March 2009

CORPORATE GOVERNANCE REPORT

Ju Teng International Holdings Limited (the "Company") continues to devote much efforts on formulating and implementing sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted and applied the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the then prevailing Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2008. In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 31 March 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices ("New CG Code") contained in Appendix 14 to the Listing Rules with retrospective effect from 1 January 2009. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code or, as the case may be, the New CG Code. For the year ended 31 December 2008, the Company had complied with the code provisions of the CG Code save for the following:

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Li-Yu is the chairman of the Board but the Company has not appointed any chief executive officer. The day-to-day management of the business of Group and the execution of the instructions and directions of the Board are managed by the management team of the Group which comprises some of the executive Directors and the senior management of the Group. The Directors believe that the allocation of the daily management of different sectors of the Group's business amongst the senior management who possesses experiences and qualifications in different areas will enable the Group to enhance the effectiveness and efficiency of the implementation of its business plan. The Board will continue to review the current management structure from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

BOARD OF DIRECTORS

The Group is led by and controlled through the Board, which is currently constituted by a combination of six executive Directors and three independent non-executive Directors.

The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors have been appointed by the Company for a term of two years commencing from the date of their respective appointment renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, and until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other. The independent non-executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in rule 3.13 of the Listing Rules.

The Company has adopted and applied a code of conduct regarding the Directors' securities transaction on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the then prevailing Listing Rules throughout the year ended 31 December 2008. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the standards set out in the Model Code and the code of conduct for the year ended 31 December 2008.

In light of various amendments to the Listing Rules, particularly Appendix 10 thereto, which became effective on 1 January 2009, on 31 March 2009, the Company adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards under the revised Model Code with retrospective effect from 1 January 2009.

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Save for the sibling relationship between Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, both being executive Directors, there is no family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2008, the Board convened a total of twelve Board meetings (exclusive of meetings of Board committee constituted by the Board held during the year) and the individual attendance record of the Directors is tabulated as follows:

Name		Number of meetings held while being a Director	Number of meetings attended
Executive Directors			
Mr. Cheng Li-Yu *(Chairman)*		12	12
Mr. Cheng Li-Yen		12	12
Mr. Huang Kuo-Kuang		12	11
Mr. Hsieh Wan-Fu		12	8
Mr. Lo Jung-Te		12	8
Mr. Tsui Yung Kwok		12	8
Independent non-executive Directors			
Mr. Yu Chow-Ming	*(resigned on 31 July 2008)*	7	4
Mr. Cherng Chia-Jiun	*(appointed on 31 July 2008)*	5	5
Mr. Tsai Wen-Yu		12	9
Mr. Yip Wai Ming		12	7

Board committee meeting will be convened as and when necessary. Three board committee meetings were held during the year.

NOMINATION OF DIRECTORS

The Company has not set up any nomination committee. In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates as well as the independence requirement in the case of an independent non-executive Director.

The Board has adopted the nomination procedures of a new Director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Board will consider and, if thought fit, approve the appointment of the new Director by way of board meeting or written resolution. To ensure a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed Director will be provided with a comprehensive, tailored and formal induction on the first occasion of his appointment.

The Board has passed a written resolution on 31 July 2008 for the appointment of Mr. Cherng Chia-Jiun as an independent non-executive Director.

As far as the nomination and appointment of Directors are concerned, no Board committee meeting was convened for the year ended 31 December 2008.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD

The Board has established the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affairs.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make above assessments.

The Company has established an audit committee (the "Audit Committee") of the Company with written terms of reference adopted by reference to the code provisions of the CG Code on 17 June 2005, and has adopted a revised written terms of reference by reference to the code provisions of the New CG Code on 31 March 2009 with retrospective effect from 1 January 2009. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. Mr. Cherng Chia-Jiun is the Chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures including the adequate of resources, qualifications and experience of the Company's staff of accounting and financial reporting function and their training programmes and budget. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditors and also reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with the Listing Rules and other applicable standards. For the year ended 31 December 2008, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's interim results of 2008 and annual results of 2007 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee convened four meetings for the year ended 31 December 2008. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	**Number of meetings held while being a Director**	**Number of meetings attended**
Mr. Yu Chwo-Ming *(Chairman) (resigned on 31 July 2008*)	2	2
Mr. Cherng Chia-Jiun *(Chairman) (appointed on 31 July 2008*)	2	2
Mr. Tsai Wen-Yu	4	4
Mr. Yip Wai Ming	4	4

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year, the audit and non-audit fees payable/paid to Ernst & Young, the auditors of the Group, was made up of an audit fee of HK$3,000,000 and non-audit service fees of HK$1,414,000.

REMUNERATION COMMITTEE

The Company has established the remuneration committee (the "Remuneration Committee") of the Company with written terms of reference adopted by reference to the code provisions of the CG Code on 17 June 2005. The Remuneration Committee currently consists of three independent non-executive Directors and two executive Directors, namely Mr. Cherng Chia-Jiun, Mr. Tsai-Wen Yu, Mr. Yip Wai Ming, Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang. Mr. Cherng Chia-Jiun is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management. For the year ended 31 December 2008, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management.

The Remuneration Committee convened one meeting for the year ended 31 December 2008. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	**Number of meeting held while being a Director**	**meeting attended**
Mr. Yu Chwo-Ming *(Chairman) (resigned on 31 July 2008)*	1	1
Mr. Cherng Chia-Jiun *(Chairman) (appointed on 31 July 2008)*	0	0
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditors' report on the financial statements for the year under review.

INTERNAL CONTROL

The Board is responsible for ensuring that sound and effective internal control systems are maintained within the Group. The Group had hired independent professionals to perform a review on the system of internal control of the Group to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively. With reference to the assessment of the independent professionals, the Directors and the Audit Committee conducted review of the internal control system maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2008 and are satisfied that it is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The Directors will continue to engage external independent professionals to review the Group's internal control systems and will continue to review the need for setting up an internal audit function.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company enhances investor relations and communications by setting up meetings with the investment community. The Company also responds to requests for information and queries from the investment community through the attendance by the executive Directors and designated senior management.

The Board is committed to providing clear and full information of the Company to shareholders through the Group's interim and annual reports, circulars and announcements.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such notice is also made available on the Company's website and Stock Exchange's website. The Chairman and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting and to answer any question if necessary.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Ju Teng International Holdings Limited set out on pages 35 to 101, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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. Our report is made solely to you, as a body, 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 (Continued)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

31 March 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	6	**7,249,183**	5,275,832
Cost of sales		**(6,036,177)**	(4,479,682)
Gross profit		**1,213,006**	796,150
Other income and gains	6	**99,210**	94,978
Selling and distribution costs		**(31,156)**	(23,671)
Administrative expenses		**(360,154)**	(271,942)
Other expenses		**(26,943)**	(12,688)
Finance costs	7	**(75,113)**	(99,940)
Share of profit of an associate		**–**	1,312
PROFIT BEFORE TAX	8	**818,850**	484,199
Tax	11	**(130,280)**	(57,338)
PROFIT FOR THE YEAR		**688,570**	426,861
Attributable to:			
Equity holders of the Company	12	**658,295**	409,988
Minority interests		**30,275**	16,873
		688,570	426,861
DIVIDEND	13	**50,000**	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
– Basic (HK cents)		**65.8**	41.0
– Diluted (HK cents)		**64.3**	40.2

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,280,183**	1,662,323
Lease premium for land	16	**65,219**	25,641
Goodwill	17	**4,846**	1,065
Deposit for acquisition of an investment	39	**104,632**	–
Prepayments for acquisition of property, plant and equipment		**96,916**	6,656
Available-for-sale investment	23	**33,306**	120,607
Total non-current assets		**2,585,102**	1,816,292
CURRENT ASSETS			
Inventories	20	**821,866**	727,751
Trade receivables	21	**2,863,214**	1,582,689
Factored trade receivables	21	**74,205**	443,525
Prepayments, deposits and other receivables	22	**216,247**	166,546
Derivative financial instruments	28	**24,381**	28,256
Pledged bank balances and time deposits	24	**108,933**	53,221
Cash and cash equivalents	24	**450,508**	406,019
Total current assets		**4,559,354**	3,408,007
CURRENT LIABILITIES			
Trade and bills payables	25	**1,530,098**	1,398,375
Other payables and accruals	26	**570,584**	330,510
Tax payable		**101,685**	84,705
Bank advances on factored trade receivables	21	**74,205**	443,525
Interest-bearing bank borrowings	27	**947,328**	757,178
Total current liabilities		**3,223,900**	3,014,293
NET CURRENT ASSETS		**1,335,454**	393,714
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,920,556**	2,210,006

CONSOLIDATED BALANCE SHEET (Continued)

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**930,060**	–
Deferred tax liabilities	18	**9,081**	25,626
Total non-current liabilities		**939,141**	25,626
Net assets		**2,981,415**	2,184,380
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	29	**100,000**	100,000
Reserves	31(a)	**2,670,280**	2,011,143
Proposed final dividend	13	**50,000**	–
		2,820,280	2,111,143
Minority interests		**161,135**	73,237
Total equity		**2,981,415**	2,184,380

CHENG Li-Yu
Director

HUANG Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	Attributable to equity holders of the Company												
		Issued capital	Share premium account	Contributed surplus	Employee share-based compensation reserve	Capital reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Available-for-sale investment revaluation reserve	Proposed final dividend	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note (c))	(Note (c))	(Note (c))	(Note (b),(c))	(Notes (a),(c))	(Note (c))	(Note (c))	(Note (c))				
At 1 January 2007		100,000	227,127	420,266	8,324	–	24,056	52,441	662,620	56,171	–	1,551,005	33,690	1,584,695
Exchange realignment		–	–	–	–	–	–	120,176	–	–	–	120,176	3,683	123,859
Change in fair value of an available-for-sale investment, net of deferred tax		–	–	–	–	–	–	–	–	20,512	–	20,512	–	20,512
Net gains recognised directly in equity		–	–	–	–	–	–	120,176	–	20,512	–	140,688	3,683	144,371
Profit for the year		–	–	–	–	–	–	–	409,988	–	–	409,988	16,873	426,861
Total income and expense for the year		–	–	–	–	–	–	120,176	409,988	20,512	–	550,676	20,556	571,232
Acquisition of subsidiaries	32(b)	–	–	–	–	–	–	–	–	–	–	–	18,991	18,991
Capitalisation of profits		–	–	–	–	363,578	–	–	(363,578)	–	–	–	–	–
Transfer from retained profits		–	–	–	–	–	55,691	–	(55,691)	–	–	–	–	–
Share-based compensation arrangements	30	–	–	–	9,462	–	–	–	–	–	–	9,462	–	9,462
At 31 December 2007 and 1 January 2008		**100,000**	**227,127**	**420,266**	**17,786**	**363,578**	**79,747**	**172,617**	**653,339**	**76,683**	**–**	**2,111,143**	**73,237**	**2,184,380**
Exchange realignment		**–**	**–**	**–**	**–**	**–**	**–**	**99,577**	**–**	**–**	**–**	**99,577**	**8,476**	**108,053**
Change in fair value of an available-for-sale investment, net of deferred tax		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(64,884)**	**–**	**(64,884)**	**–**	**(64,884)**
Net gains and losses recognised directly in equity		**–**	**–**	**–**	**–**	**–**	**–**	**99,577**	**–**	**(64,884)**	**–**	**34,693**	**8,476**	**43,169**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**658,295**	**–**	**–**	**658,295**	**30,275**	**688,570**
Total income and expense for the year		**–**	**–**	**–**	**–**	**–**	**–**	**99,577**	**658,295**	**(64,884)**	**–**	**692,988**	**38,751**	**731,739**
Acquisition of subsidiaries	32(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**41,320**	**41,320**
Acquisition of minority interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,861)**	**(24,861)**
Transfer from retained profits		**–**	**–**	**–**	**–**	**–**	**49**	**–**	**(49)**	**–**	**–**	**–**	**–**	**–**
Capital injection from a minority shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**32,688**	**32,688**
Share-based compensation arrangements	30	**–**	**–**	**–**	**16,149**	**–**	**–**	**–**	**–**	**–**	**–**	**16,149**	**–**	**16,149**
Proposed final dividend	13	**–**	**–**	**(50,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**50,000**	**–**	**–**	**–**
At 31 December 2008		**100,000**	**227,127**	**370,266**	**33,935**	**363,578**	**79,796**	**272,194**	**1,311,585**	**11,799**	**50,000**	**2,820,280**	**161,135**	**2,981,415**

Notes:

(a) In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Mainland China"), the Company's subsidiaries established in the PRC are required to transfer a certain percentage of their profits after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital.

(b) The capital reserve represents profits of the Company's subsidiaries capitalised during the prior year.

(c) These reserve accounts comprise the consolidated reserves of HK$2,670,280,000 (2007: HK$2,011,143,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**818,850**	484,199
Adjustments for:			
Finance costs	7	**75,113**	99,940
Interest income	6	**(10,204)**	(11,517)
Dividend income	6	**(3,058)**	(2,166)
Gain on disposal of an available-for-sale investment	6	**–**	(1,030)
Depreciation	8	**204,891**	168,198
Amortisation of lease premium for land	8	**792**	524
Loss on disposal of items of property, plant and equipment, net	8	**11,097**	2,551
Provision for slow-moving and obsolete inventories	8	**42,159**	28,524
Equity-settled share option expenses		**16,149**	9,462
Excess over the cost of a business combination	6	**–**	(4,576)
Share of profit of an associate		**–**	(1,312)
		1,155,789	772,797
Increase in inventories		**(95,169)**	(83,001)
Increase in trade receivables		**(1,162,211)**	(627,436)
Decrease/(increase) in factored trade receivables		**369,320**	(69,827)
Increase in prepayments, deposits and other receivables		**(44,153)**	(13,318)
Decrease/(increase) in derivative financial instruments		**3,875**	(20,177)
Increase in trade and bills payables		**22,334**	570,049
Increase/(decrease) in other payables and accruals		**80,961**	(21,003)
(Decrease)/increase in bank advances on factored trade receivables		**(369,320)**	49,579
Cash (used in)/generated from operations		**(38,574)**	557,663
Mainland China income tax paid		**(114,360)**	(54,114)
Overseas income tax paid		**(340)**	(1,154)
Mainland China income tax refunded		**1,400**	–
Interest received		**10,204**	11,517
Interest paid		**(75,113)**	(99,940)
Net cash (outflow)/inflow from operating activities		**(216,783)**	413,972

CONSOLIDATED CASH FLOW STATEMENT (Continued)

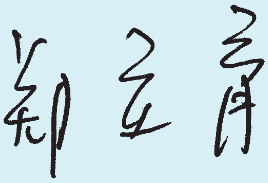
Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(555,245)**	(217,216)
Payment of lease premium for land		**(22,270)**	(142)
Proceeds from disposal of items of property, plant and equipment		**17,685**	9,192
Purchase of an available-for-sale investment		**–**	(17,163)
Proceeds from disposal of an available-for-sale investment		**–**	18,193
Dividend received		**3,058**	2,166
(Increase)/decrease in pledged bank balances and time deposits		**(55,614)**	103,270
Increase in a deposit for an acquisition of investment		**(104,632)**	–
Increase in prepayments for acquisition of property, plant and equipment		**(39,996)**	(5,851)
Acquisition of minority interests		**(26,359)**	–
Acquisition of subsidiaries	32	**(83,443)**	(2,727)
Net cash outflow from investing activities		**(866,816)**	(110,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by minority shareholders		**32,688**	–
New bank loans		**3,227,550**	1,938,659
Repayment of bank loans		**(2,154,574)**	(2,021,582)
Net cash inflow/(outflow) from financing activities		**1,105,664**	(82,923)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,065**	220,771
Cash and cash equivalents at beginning of year		**406,019**	179,547
Effect of foreign exchange rate changes, net		**22,424**	5,701
CASH AND CASH EQUIVALENTS AT END OF YEAR		**450,508**	406,019
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**450,508**	406,019

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**1,103,568**	1,096,463
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**371**	249
Cash and cash equivalents	24	**28**	25
Total current assets		**399**	274
CURRENT LIABILITIES			
Other payables and accruals	26	**5,588**	3,032
NET CURRENT LIABILITIES		**(5,189)**	(2,758)
Net assets		**1,098,379**	1,093,705
EQUITY			
Issued capital	29	**100,000**	100,000
Reserves	31(b)	**948,379**	993,705
Proposed final dividend	13	**50,000**	–
Total equity		**1,098,379**	1,093,705



CHENG Li-Yu
Director

HUANG Kuo-Kuang
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. CORPORATE INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Group was principally engaged in the manufacture and sale of notebook computer casings.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and an available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

3.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements. There have been no significant changes to the accounting policies applied in these financial statements.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[2]

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Excess over the cost of business combinations

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

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required, (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Property, plant and equipment and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the lease terms or 5 to 10 years
Machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Construction in progress represents buildings, plant and machinery and other items of property, plant and equipment under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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

Financial liabilities including trade and other payables and interest-bearing borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

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

Derecognition of financial liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

Employee benefits

Pension schemes
The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the relevant government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes (Continued)

The Group also 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 employed by the Group's subsidiary in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 30 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

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

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

Foreign currencies

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate;

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

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

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

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

Operating leases

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Cash and cash equivalents

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

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

Government subsidies

Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

(b) from the rendering of services, when the services have been rendered; and

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

Borrowing costs

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

Derivative financial instruments

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

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

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Write-down of inventories

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

The carrying amount of inventories as at 31 December 2008 was HK$821,866,000 (2007: HK$727,751,000).

Recognition of equity-settled share option expenses

As detailed in note 30(c) to the financial statements, the Company has granted share options to certain employees of the Group. The directors have used an external valuer who has applied the Black-Scholes option pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimation of the parameters for applying the Black-Scholes option pricing model, such as risk-free interest rate, dividend yield, expected volatility and turnover rate of grantees, is required to be made.

The fair value of options granted for the year ended 31 December 2008 determined using the Black-Scholes option pricing model was approximately HK$56,567,000.

5. SEGMENT INFORMATION

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

(a) Business segment

The Group was principally engaged in the manufacture and sale of notebook computer casings. Therefore, no business segment analysis is presented.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Segment revenue from external customers:

	2008 HK$'000	2007 HK$'000
Mainland China	**6,722,109**	5,011,304
The Republic of China (the "ROC")	**519,740**	259,548
Others	**7,334**	4,980
	7,249,183	5,275,832

Segment assets:

	2008 HK$'000	2007 HK$'000
Mainland China	**6,469,842**	4,741,172
The ROC	**649,007**	465,566
Others	**25,607**	17,561
	7,144,456	5,224,299

Segment capital expenditure:

	2008 HK$'000	2007 HK$'000
Mainland China	**575,749**	214,775
The ROC	**1,763**	2,030
Others	**3**	411
	577,515	217,216

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax, business tax and government surcharges, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains, is as follows:

	2008	2007
	HK$'000	HK$'000
Revenue		
Sale of goods	**7,249,183**	5,275,832
Other income		
Interest income	**10,204**	11,517
Subcontracting fee income	**850**	1,232
Sale of scrap materials	**43,973**	25,606
Dividend income	**3,058**	2,166
Excess over the cost of a business combination *(note 32(b))*	**–**	4,576
Subsidy income	**–**	3,385
Reinvestment tax credit	**35,427**	–
Others	**5,698**	11,039
	99,210	59,521
Gains		
Exchange gains, net	**–**	34,427
Others	**–**	1,030
	–	35,457
	99,210	94,978

NOTES TO FINANCIAL STATEMENTS

31 December 2008

7. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on bank loans and other loans wholly repayable:		
Within five years	**75,113**	99,932
Over five years	**–**	8
Total interest expense on financial liabilities not at fair value through profit or loss	**75,113**	99,940

8. PROFIT BEFORE TAX

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

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold		**5,971,928**	4,413,995
Auditors' remuneration		**3,000**	2,720
Depreciation	15	**204,891**	168,198
Amortisation of lease premium for land	16	**792**	524
Minimum lease payments under operating leases:			
Land and buildings		**9,727**	6,702
Motor vehicles		**6,109**	6,231
Provision for slow-moving and obsolete inventories*		**42,159**	28,524
Employee benefits expense (excluding directors' remuneration – *note 9*):			
Wages and salaries, bonuses, allowances and welfare		**793,561**	595,772
Equity-settled share option expenses		**14,094**	8,138
Pension scheme contributions		**30,482**	16,784
		838,137	620,694
Foreign exchange differences, net**		**5,684**	(34,427)
Loss on disposal of items of property, plant and equipment, net**		**11,097**	2,551
Subsidy income***		**–**	(3,385)

8. PROFIT BEFORE TAX *(Continued)*

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses/(Other income and gains)" on the face of the consolidated income statement.

*** Various government subsidies have been received for enterprises engaged in highly technological businesses in Jiangsu Province, Mainland China. There are no unfulfilled conditions or contingences relating to these subsidies.

9. DIRECTORS' REMUNERATION

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

	Group	
	2008	2007
	HK$'000	HK$'000
Fees	**594**	591
Other emoluments:		
Salaries, allowances and benefits in kind	**5,085**	4,641
Equity-settled share option expenses	**2,055**	1,324
Pension scheme contributions	**12**	12
	7,152	5,977
	7,746	6,568

During the current year, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company further details of which are set out in note 30(c) to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above directors' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

9. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of each of the directors for the year ended 31 December 2008 is set out below:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Cheng Li-Yu	–	860	–	–	860
Mr. Cheng Li-Yen	–	774	–	–	774
Mr. Huang Kuo-Kuang	–	774	682	–	1,456
Mr. Hsieh Wan-Fu	–	665	535	–	1,200
Mr. Lo Jung-Te	–	731	535	–	1,266
Mr. Tsui Yung Kwok	–	1,281	303	12	1,596
Mr. Yu Chwo-Ming	115	–	–	–	115
Mr. Cherng Chia Jiun	83	–	–	–	83
Mr. Tsai Wen-Yu	198	–	–	–	198
Mr. Yip Wai Ming	198	–	–	–	198
	594	5,085	2,055	12	7,746

The remuneration of each of the directors for the year ended 31 December 2007 is set out below:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Cheng Li-Yu	–	798	–	–	798
Mr. Cheng Li-Yen	–	718	–	–	718
Mr. Huang Kuo-Kuang	–	718	568	–	1,286
Mr. Hsieh Wan-Fu	–	617	284	–	901
Mr. Lo Jung-Te	–	678	284	–	962
Mr. Tsui Yung Kwok	–	1,112	188	12	1,312
Mr. Yu Chwo-Ming	199	–	–	–	199
Mr. Tsai Wen-Yu	199	–	–	–	199
Mr. Yip Wai Ming	193	–	–	–	193
	591	4,641	1,324	12	6,568

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2007: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2007: one) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**958**	439
Bonuses	**160**	76
Equity-settled share option expenses	**1,341**	421
	2,459	936

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

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	–
	2	1

During the current year, share options were granted under the share option scheme of the Company to the non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30(c) to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above non-director, highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

11. TAX

Hong Kong profits tax has not been provided, as the Group did not have any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	HK$'000
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	**65,924**	46,746
Underprovision in prior years	**4,386**	1,332
Current – Overseas		
Charge for the year	**61,014**	2,770
Underprovision in prior years	**356**	1,129
Tax refund	**(1,400)**	–
Deferred tax – *(note 18)*	**–**	5,361
Total tax charge for the year	**130,280**	57,338

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

11. TAX *(Continued)*

Group – 2008

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(24,247)		569,989		273,108		818,850	
Tax at the statutory tax rate	(4,001)	16.5	130,412	22.9	68,277	25.0	194,688	23.8
Preferential tax rates	–	–	(64,521)	(11.3)	–	–	(64,521)	(7.9)
Income not subject to tax	–	–	(399)	(0.1)	(8,250)	(3.0)	(8,649)	(1.1)
Tax refund	–	–	(1,400)	(0.2)	–	–	(1,400)	(0.2)
Expenses not deductible for tax	4,001	(16.5)	432	–	987	0.4	5,420	0.7
Adjustments in respect of current tax of previous periods	–	–	4,386	0.8	356	0.1	4,742	0.6
Tax charge at the Group's effective rate	–	–	68,910	12.1	61,370	22.5	130,280	15.9

Group – 2007

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(19,334)		490,028		13,505		484,199	
Tax at the statutory tax rate	(3,383)	17.5	142,696	29.1	3,376	25.0	142,689	29.5
Preferential tax rates	–	–	(88,034)	(18.0)	–	–	(88,034)	(18.2)
Income not subject to tax	–	–	–	–	(823)	(6.1)	(823)	(0.2)
Tax exemption	–	–	(10,864)	(2.2)	–	–	(10,864)	(2.2)
Expenses not deductible for tax	3,383	(17.5)	2,948	0.6	–	–	6,331	1.3
Adjustments in respect of current tax of previous periods	–	–	1,332	0.3	1,129	8.4	2,461	0.5
Write-down of deferred tax assets	–	–	2,926	0.6	2,652	19.6	5,578	1.2
Tax charge at the Group's effective rate	–	–	51,004	10.4	6,334	46.9	57,338	11.9

The 5th Session of the 10th National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New Corporate Income Tax Law") on 16 March 2007 and the State Council has announced the Detail Implementation Regulations (the "DIR") on 6 December 2007, which become effective from 1 January 2008. According to the New Corporate Income Tax Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

11. TAX *(Continued)*

Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer"), a subsidiary of the Company, is subject to a tax rate of 25% (2007: 12%) for the year ended 31 December 2008. In the prior year, Everyday Computer was subject to corporate income tax in Mainland China at a reduced tax rate of 12% as it is a foreign investment manufacturing enterprise with export-oriented enterprise status which is eligible for a 50% corporate income tax reduction after the tax holiday based on the then existing legislation, interpretation and practices in respect thereof.

Pursuant to an approval document dated 13 April 2004 issued by the Tax Bureau, Suzhou Dazhi Communication Accessory Co., Ltd. ("Suzhou Dazhi"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as Suzhou Dazhi is also recognised as a foreign investment manufacturing enterprise. In addition, Suzhou Dazhi, also a foreign investment enterprise, is entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2003 and a 50% tax relief for the three years thereafter. However, pursuant to the relevant income tax laws and regulations in the PRC, Suzhou Dazhi elected to defer its entitlement of the tax exemption to the year commencing on 1 January 2004 as Suzhou Dazhi had commenced its operations for less than six months in its first year of entitlement. Suzhou Dazhi was subject to a tax rate of 12.5% (2007: 12%) for the year ended 31 December 2008.

Ju Teng Electronics (Shanghai) Co., Ltd. ("Ju Teng Electronics"), a subsidiary of the Company, which is located and operates in Shanghai Songjiang Export Processing Zone, was subject to a tax rate of 25% (2007: 15%) for the year ended 31 December 2008.

WIS Precision (Kunshan) Co., Ltd. ("WIS Precision"), a subsidiary of the Company, was subject to a preferential tax rate of 24% as WIS Precision is recognised as a foreign investment manufacturing enterprise. Besides, WIS Precision is also a foreign investment enterprise and is therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2007 and a 50% tax relief for the three years thereafter. WIS Precision was exempted from corporate income tax for the two years ended 31 December 2007 and 2008.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$11,475,000 (2007: HK$8,432,000) which has been dealt with in the financial statements of the Company (note 31(b)).

13. DIVIDEND

	2008	2007
	HK$'000	HK$'000
Proposed final – HK5 cents (2007: Nil) per ordinary share	**50,000**	–

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

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$658,295,000 (2007: HK$409,988,000) and the 1,000,000,000 shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$658,295,000 (2007: HK$409,988,000). The weighted average number of shares used in the calculation is the 1,000,000,000 shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 24,001,990 (2007: 19,372,980) shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential shares into shares.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost	638,721	3,892	1,340,603	151,194	12,813	14,859	2,162,082
Accumulated depreciation	(91,303)	(2,923)	(339,365)	(59,087)	(7,081)	–	(499,759)
Net carrying amount	547,418	969	1,001,238	92,107	5,732	14,859	1,662,323
At 1 January 2008, net of accumulated depreciation	547,418	969	1,001,238	92,107	5,732	14,859	1,662,323
Additions	11,114	–	123,077	50,334	1,162	369,558	555,245
Acquisition of subsidiaries *(note 32(a))*	57,092	–	107,146	7,251	546	39,305	211,340
Transfers	56,777	501	132,568	46,401	–	(236,247)	–
Disposals	(577)	–	(18,597)	(3,636)	(1,067)	(4,905)	(28,782)
Depreciation provided during the year	(33,289)	(382)	(136,122)	(33,075)	(2,023)	–	(204,891)
Exchange realignment	27,278	30	52,064	4,522	290	764	84,948
At 31 December 2008, net of accumulated depreciation	665,813	1,118	1,261,374	163,904	4,640	183,334	2,280,183
At 31 December 2008:							
Cost	816,569	5,549	1,803,574	265,768	12,102	183,334	3,086,896
Accumulated depreciation	(150,756)	(4,431)	(542,200)	(101,864)	(7,462)	–	(806,713)
Net carrying amount	665,813	1,118	1,261,374	163,904	4,640	183,334	2,280,183

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Group *(Continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007							
At 1 January 2007:							
Cost	566,603	3,238	1,079,148	112,823	11,955	7,246	1,781,013
Accumulated depreciation	(55,101)	(2,472)	(204,881)	(34,027)	(5,625)	–	(302,106)
Net carrying amount	511,502	766	874,267	78,796	6,330	7,246	1,478,907
At 1 January 2007, net of accumulated depreciation	511,502	766	874,267	78,796	6,330	7,246	1,478,907
Additions	9,684	483	153,476	24,364	866	28,343	217,216
Acquisition of subsidiaries *(note 32(b))*	14,032	–	15,439	370	870	–	30,711
Transfers	3,654	–	6,497	6,637	–	(16,788)	–
Disposals	(940)	–	(4,676)	(1,053)	(670)	(4,404)	(11,743)
Depreciation provided during the year	(29,875)	(288)	(112,768)	(23,103)	(2,164)	–	(168,198)
Exchange realignment	39,361	8	69,003	6,096	500	462	115,430
At 31 December 2007, net of accumulated depreciation	547,418	969	1,001,238	92,107	5,732	14,859	1,662,323
At 31 December 2007:							
Cost	638,721	3,892	1,340,603	151,194	12,813	14,859	2,162,082
Accumulated depreciation	(91,303)	(2,923)	(339,365)	(59,087)	(7,081)	–	(499,759)
Net carrying amount	547,418	969	1,001,238	92,107	5,732	14,859	1,662,323

The Group's land and buildings were held under the following lease terms:

	2008 HK$'000	2007 HK$'000
Net book value:		
Freehold land outside Hong Kong	**3,921**	3,996
Buildings held under medium term leases outside Hong Kong	**661,892**	543,422
	665,813	547,418

At 31 December 2008, certain of the Group's land and buildings and machinery with an aggregate net book value of approximately HK$62,873,000 (2007: HK$89,338,000) were pledged to secure certain banking facilities granted to the Group (note 27).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

16. LEASE PREMIUM FOR LAND

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**25,641**	22,489
Addition during the year	**22,270**	142
Acquisition of subsidiaries *(note 32)*	**16,797**	1,733
Recognised during the year	**(792)**	(524)
Exchange realignment	**1,303**	1,801
Carrying amount at 31 December	**65,219**	25,641

The land of the Group was held under a medium term lease and was situated outside Hong Kong.

At 31 December 2008, certain of the Group's land with an aggregate net book value of approximately HK$6,858,000 (2007: HK$6,640,000) was pledged to secure certain banking facilities granted to the Group (note 27).

17. GOODWILL

Group

	HK$'000
Cost and carrying amount at 1 January 2007, 31 December 2007 and 1 January 2008	1,065
Acquisition of minority interests	1,498
Acquisition of subsidiaries *(note 32(a))*	2,283
Cost and carrying amount at 31 December 2008	4,846

NOTES TO FINANCIAL STATEMENTS

31 December 2008

18. DEFERRED TAX

Deferred tax assets

Losses available for offsetting against future taxable profits:

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**–**	5,296
Deferred tax charged to the income statement during the year *(note 11)*	**–**	(5,361)
Exchange realignment	**–**	65
At end of year	**–**	–

The Group had tax losses arising in the PRC and the ROC of approximately HK$57,376,000 (2007: HK$64,101,000) and HK$15,252,000 (2007: HK$12,072,000), respectively, which are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

Group

		2008	
	Fair value adjustments arising from acquisition of subsidiaries	**Fair value adjustments arising from revaluation of an available-for-sale investment**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
At 1 January 2008	**–**	**25,626**	**25,626**
Deferred tax credited to equity during the year	**–**	**(21,795)**	**(21,795)**
Acquisition of subsidiaries *(note 32(a))*	**5,250**	**–**	**5,250**
Gross deferred tax liabilities at 31 December 2008	**5,250**	**3,831**	**9,081**

NOTES TO FINANCIAL STATEMENTS

31 December 2008

18. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Group *(Continued)*

	2007 Fair value adjustments arising from revaluation of an available-for-sale investment HK$'000
At 1 January 2007	–
Deferred tax debited to equity during the year	25,626
Gross deferred tax liabilities at 31 December 2007	25,626

Pursuant to the New Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$412,227,000 at 31 December 2008 (2007: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

19. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	**777,358**	777,358
Due from subsidiaries	**302,735**	309,610
Capital contribution in respect of share-based compensation	**23,475**	9,495
	1,103,568	1,096,463

The amounts advanced to the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Best Alliance Holding Inc.	British Virgin Islands ("BVI")	US$52,600,000 Ordinary	100%	–	Investment holding
Giant Glory International Limited	Samoa	US$49,777,419 Ordinary	–	100%	Investment holding and sale of notebook computer casings and related materials
Step Fine International Investment Limited	Hong Kong	HK$100,000 Ordinary	–	100%	Investment holding
Everyday Computer Components (Suzhou) Co., Ltd.*@	The PRC	US$52,500,000	–	100%	Manufacture and sale of notebook computer casings

NOTES TO FINANCIAL STATEMENTS

31 December 2008

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Suzhou Dazhi Communication Accessory Co., Ltd.*@	The PRC	US$83,500,000	–	100%	Manufacture and sale of notebook computer casings
Jiu De International Limited	Samoa	US$12,800,000 Ordinary	–	100%	Dormant
Jiu Ding International Limited	Samoa	US$12,800,000 Ordinary	–	100%	Dormant
Sincere Joy Corporation	Samoa	US$1,000,000 Ordinary	–	100%	Dormant
Tri-Great International Limited	Samoa	US$1,000,000 Ordinary	–	100%	Sale of notebook computer casings
Applied Business Company Inc.	BVI	US$1,500,000 Ordinary	–	100%	Dormant
ICAN Business Limited	BVI	US$1,500,000 Ordinary	–	100%	Sale of notebook computer casings
Gi Li Co., Ltd. @	The ROC	NT$5,000,000 Ordinary	–	100%	Sale of notebook computer casings and related materials
Hempton International Limited	Samoa	US$3,500,000 Ordinary	–	100%	Investment holding
Perfect Base Holdings Limited	Hong Kong	HK$100,000 Ordinary	–	100%	Investment holding
Ju Teng Electronics (Shanghai) Co., Ltd.*@	The PRC	US$12,500,000	–	100%	Manufacture and sale of notebook computer casings

NOTES TO FINANCIAL STATEMENTS

31 December 2008

19. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Grand Develop Investments Limited	Hong Kong	HK$1 Ordinary	–	100%	Provision of general administrative and support services
Mindforce Holdings Limited	BVI	US$25,000,000	–	71%	Investment holding
Skywarp Holdings Limited	Hong Kong	HK$200,000,000 Ordinary	–	71%	Investment holding
WIS Precision (Kunshan) Co., Ltd.*@	The PRC	US$25,000,000	–	71%	Manufacture and sale of notebook computer casings
Plentimark Limited	BVI	US$50,000	–	71%	Sale of materials for the manufacture of notebook computer casings
Dynamic Apex Macao Commercial Offshore Limited @	Macau	MOP$100,000	–	100%	Sale of materials for the manufacture of notebook computer casings
Smart Success Enterprises Limited @	Samoa	US$6,000,000 Ordinary	–	100%	Investment holding
Prime Cheer International Limited	Hong Kong	HK$100,000 Ordinary	–	100%	Investment holding
Chengyang Precision Mold (Kunshan) Co., Ltd.*@	The PRC	US$5,000,000	–	100%	Manufacture and sale of moulds

NOTES TO FINANCIAL STATEMENTS

31 December 2008

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Willtech International Limited @	Samoa	NT$2,000,000	–	100%	Investment holding
晨達國際有限公司 @	The ROC	NT$2,000,000	–	100%	Sale of moulds
Gold Connection Limited#	Samoa	US$13,447,128 Ordinary	–	71%	Investment holding
Fullerton Ltd.#	Samoa	US$11,449,800 Ordinary	–	71%	Investment holding and trading
Lian-Yi (Far East) Ltd.#	The ROC	NT$5,000,000 Ordinary	–	71%	Trading of computer equipments and peripherals and import and export trading business
Lian-Yi Precision (Zhongshan) Inc.*#	The PRC	US$13,100,000	–	71%	Research, design, product development and manufacture of computer equipments and peripherals
中山市德益電器有限公司*#	The PRC	US$500,000	–	71%	Research, design, product development and manufacture of computer equipments and peripherals

* Registered as wholly-foreign-owned enterprises under the PRC law.

@ Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

\# Acquired/incorporated during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

20. INVENTORIES

	Group 2008 HK$'000	2007 HK$'000
Production materials	**413,021**	380,303
Work in progress	**203,543**	213,600
Finished goods	**121,580**	98,726
Moulds and consumable tools	**83,722**	35,122
	821,866	727,751

21. TRADE RECEIVABLES

The general credit terms of the Group range from 90 days to 120 days. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables and factored trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group 2008 HK$'000	2007 HK$'000
Trade receivables		
Within 3 months	**1,827,885**	1,159,938
4 to 6 months	**1,030,249**	417,778
7 to 12 months	**3,491**	3,654
Over 1 year	**1,589**	1,319
	2,863,214	1,582,689
Factored trade receivables		
Within 3 months	**74,205**	172,345
4 to 6 months	**–**	271,180
	74,205	443,525

21. TRADE RECEIVABLES *(Continued)*

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

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**2,799,044**	1,442,484
1 to 3 months past due	**61,082**	135,476
4 to 6 months past due	**1,696**	3,174
7 to 12 months past due	**963**	162
Over 1 year	**429**	1,393
	2,863,214	1,582,689

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

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

As at 31 December 2007, certain subsidiaries of the Group had factored trade receivables of HK$443,525,000 to banks on a without-recourse basis for cash. As the subsidiaries of the Group still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated balance sheet. As at 31 December 2008, the factored trade receivables are factored to banks on a with-recourse basis for cash.

Included in the Group's trade receivables at the balance sheet date were amounts due from the following related companies, which are repayable on credit terms similar to those offered to the major customers of the Group:

NOTES TO FINANCIAL STATEMENTS

31 December 2008

21. TRADE RECEIVABLES *(Continued)*

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
San Li Company Limited ("San Li")	36(a),(b)	**178**	572
Sunrise Plastic Injection Company Limited ("Sunrise")	36(a),(b)	**11**	15
		189	587

At 31 December 2008, certain of the Group's trade receivables amounting to HK$193,264,000 (2007: HK$350,768,000), were pledged to secure certain banking facilities granted to the Group (note 27).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**45,487**	65,644	**271**	249
Deposits and other receivables	**170,760**	100,902	**100**	–
	216,247	166,546	**371**	249

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2008	2007
	HK$'000	HK$'000
Overseas listed equity investment, at market value	**33,306**	120,607

During the year, the gross loss of the Group's available-for-sale investment recognised directly in equity amounted to HK$64,884,000 (2007: Gain of HK$46,138,000).

The above investment represents an investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

23. AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

In the opinion of the Company's directors, the available-for-sale investment is not expected to be realised within 12 months after the balance sheet date. Accordingly, the investment is classified as a non-current asset in the consolidated balance sheet.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$43,573,000.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**443,344**	304,381	**28**	25
Time deposits	**116,097**	154,859	**–**	–
	559,441	459,240	**28**	25
Less: Pledged bank balances and time deposits	**(108,933)**	(53,221)	**–**	–
Cash and cash equivalents	**450,508**	406,019	**28**	25

The Group's pledged bank balances and time deposits of HK$81,462,000 (2007: HK$48,609,000) were applied to secure certain banking facilities granted to the Group (note 27).

RMB is not a freely convertible currency in Mainland China and the remittance of funds out of Mainland China is subject to exchange restriction imposed by the PRC government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. As at 31 December 2008, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in the Mainland China or the ROC amounted to approximately HK$157,925,000 (2007: HK$79,186,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

25. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**1,074,814**	927,928
4 to 6 months	**438,355**	452,583
7 to 12 months	**12,095**	10,737
Over 1 year	**4,834**	7,127
	1,530,098	1,398,375

The trade payables are non-interest-bearing and are normally settled on 90 to 120 days terms.

Included in the Group's trade and bills payables at the balance sheet date were amounts due to the following related companies, which have credit terms similar to those offered by the Group's other major suppliers:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
San Li	36(a), (b)	**1,073**	4,504
Sunrise	36(a), (b)	**163**	1,744
		1,236	6,248

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**391,107**	174,778	**–**	–
Accruals	**179,477**	155,732	**5,588**	3,032
	570,584	330,510	**5,588**	3,032

Other payables are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

27. INTEREST-BEARING BANK BORROWINGS

	Group					
	2008			2007		
	Effective Interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**2.43 – 6.05**	**2009**	**193,266**	5.58 – 7.45	2008	260,915
Bank loans – unsecured	**2.03 – 5.05**	**2009**	**754,062**	5.57 – 6.54	2008	496,263
			947,328			757,178
Non-current						
Bank loans – unsecured	**4.11 – 5.18**	**2011**	**930,060**			–
			1,877,388			757,178

	Group	
	2008	2007
	HK$'000	HK$'000
Repayable:		
Within one year	**947,328**	757,178
In the third to fifth years, inclusive	**930,060**	–
	1,877,388	757,178

NOTES TO FINANCIAL STATEMENTS

31 December 2008

27. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) charges over the Group's land and buildings and machinery with an aggregate carrying amount of approximately HK$69,731,000 (2007: HK$95,978,000);

(ii) floating charges over certain of the Group's trade receivables of HK$193,264,000 (2007: HK$350,768,000) in aggregate at 31 December 2008;

(iii) the pledge of certain of the Group's bank balances and time deposits amounting to HK$81,462,000 (2007: HK$48,609,000);

(iv) the pledge of shares in certain subsidiaries; and

(v) corporate guarantees executed by the Company to the extent of HK$1,521,301,000 (2007: HK$378,739,000).

(b) The Group's bank loans with carrying amounts of HK$1,857,708,000 (2007: HK$643,935,000), nil (2007: HK$93,403,000) and HK$19,680,000 (2007: HK$19,840,000) are denominated in US$, RMB and NT$, respectively.

(c) The carrying amounts of the Group's borrowings approximate to their fair values.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Forward currency contracts	**24,381**	28,256

The carrying amount of forward currency contracts is the same as their fair value. The above transactions involving derivative financial instruments are with creditworthy banks.

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rate fluctuations, which did not meet the criteria for hedge accounting. Changes in fair value of non-hedging currency derivatives, amounting to a charge of HK$3,875,000 (2007: credit of HK$20,177,000) were recognised in the income statement during the year.

29. SHARE CAPITAL

Shares

	2008 HK$'000	2007 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,000,000,000 shares of HK$0.1 each	**100,000**	100,000

There is no change in the Company's authorised and issued share capital during the current and prior years.

Share options

Details of the Company's Pre-IPO share option scheme, Post-IPO share option scheme and the share options granted are included in note 30 to the financial statements.

30. EQUITY COMPENSATION PLANS

(a) Pre-IPO share option scheme

On 17 June 2005, the Company adopted a Pre-IPO share option scheme. On the same day, Pre-IPO share options were granted to Mr. Tsui Yung Kwok, a director of the Company, for subscribing 2,800,000 shares in the Company at an exercise price of HK$1.26 per share. The exercise period commenced from 3 November 2006 and ends on and includes 16 June 2015.

The fair value of the Pre-IPO share options granted in 2005 was estimated at approximately HK$1,422,000, of which the Group recognised an expense of HK$1,422,000 in the prior years.

No Pre-IPO share option was exercised during the year.

(b) Share award plan

On 17 June 2005, the Company adopted a share award plan. On the same day, a total of 13,405,550 shares (after the capitalisation issue in connection with the listing of the Company) in the Company were transferred to the trustee of the share award plan by certain shareholders of the Company at nil consideration. On the same day, the Company awarded a total of 4,289,776 shares to Mr. Huang Kuo-Kuang, a director of the Company, and certain employees of the Group under the share award plan, which had vested in the prior years. The shares awarded by the Company under the share award plan are accounted for as share-based payments under HKFRS 2.

The fair value of the shares awarded during the prior years was estimated at approximately HK$5,325,000 which was recognised as an expense in the prior years.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

30. EQUITY COMPENSATION PLANS *(Continued)*

(c) Post-IPO share option scheme

The Company operates a Post-IPO share option scheme (the "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 Scheme include, among others, the Group's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group and participants who have contributed or may contribute to the development and growth of the Group. The Scheme became effective on 3 November 2005 and unless otherwise cancelled or amended, will remain in force for a period to 5 October 2015.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% 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 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 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 of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of 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. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the offer of the share options.

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

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

30. EQUITY COMPENSATION PLANS *(Continued)*

(c) Post-IPO share option scheme *(Continued)*

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

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**1.56**	**50,000,000**	1.56	50,000,000
Lapsed during the year	**1.63**	**(2,732,000)**	–	–
Granted during the year	**2.75**	**47,200,000**	–	–
At 31 December	**2.15**	**94,468,000**	1.56	50,000,000

No share options were exercised during the current and prior years.

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

2008

Number of options	**Exercise price* HK$ per share**	**Exercise period**
15,810,667	**1.56**	**7-11-2009 to 6-11-2016**
15,810,667	**1.56**	**7-11-2010 to 6-11-2016**
15,810,666	**1.56**	**7-11-2011 to 6-11-2016**
15,678,666	**2.75**	**7-11-2012 to 23-4-2018**
15,678,666	**2.75**	**7-11-2013 to 23-4-2018**
15,678,668	**2.75**	**7-11-2014 to 23-4-2018**
94,468,000		

NOTES TO FINANCIAL STATEMENTS

31 December 2008

30. EQUITY COMPENSATION PLANS *(Continued)*

(c) Post-IPO share option scheme *(Continued)*

2007

Number of options	Exercise price* HK$ per share	Exercise period
16,666,667	1.56	7-11-2009 to 6-11-2016
16,666,667	1.56	7-11-2010 to 6-11-2016
16,666,666	1.56	7-11-2011 to 6-11-2016
50,000,000		

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

The fair value of the share options granted during the year was HK$56,567,000 (HK$1.20 each). The Group recognised a share option expense of HK$16,149,000 (2007: HK$9,462,000) during the year ended 31 December 2008 in respect of share options granted in the current and prior years.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	2
Expected volatility (%)	52.66
Risk-free interest rate (%)	2.33 – 2.47
Weighted average expected life of options (year)	6.54
Underlying price per share (HK$)	2.75

The expected life of the options is based on the directors' estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 97,268,000 share options outstanding under the Pre-IPO share option scheme and the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 97,268,000 additional ordinary shares of the Company and additional share capital of HK$9,727,000 and share premium of approximately HK$197,144,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 96,594,000 share options outstanding under the Pre-IPO share option scheme and the Scheme, which represented approximately 9.7% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007		227,127	772,098	8,324	(14,874)	992,675
Loss for the year	12	–	–	–	(8,432)	(8,432)
Share-based compensation arrangements	30	–	–	9,462	–	9,462
At 31 December 2007 and 1 January 2008		**227,127**	**772,098**	**17,786**	**(23,306)**	**993,705**
Loss for the year	12	**–**	**–**	**–**	**(11,475)**	**(11,475)**
Share-based compensation arrangements	30	**–**	**–**	**16,149**	**–**	**16,149**
Proposed final dividend	13	**–**	**(50,000)**	**–**	**–**	**(50,000)**
As 31 December 2008		**227,127**	**722,098**	**33,935**	**(34,781)**	**948,379**

The Company's contributed surplus represents the excess of the fair value of the shares of intermediate holding company acquired by the Company pursuant to the Group reorganisation in 2005 for the purpose of the initial public offering of the shares of the Company, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

32. BUSINESS COMBINATIONS

(a) Business combination of Gold Connection Limited in the current year

On 19 December 2008, the Group acquired a 71% interest in Gold Connection Limited. Gold Connection Limited, a company incorporated in Samoa, has a wholly-owned subsidiary in the PRC, namely, Lian-Yi Precision (Zhongshan) Inc. ("聯益精密(中山) 有限公司"), which is principally engaged in the manufacture and sale of computer parts and peripherals in Mainland China. The consideration for the acquisition was in the form of cash of HK$103,445,000, which has been paid during the year.

The fair values of the identifiable assets and liabilities of Gold Connection Limited and its subsidiaries as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Previous carrying amount** HK$'000
Property, plant and equipment	15	211,340	195,340
Lease premium for land	16	16,797	11,797
Prepayments for acquisition of property, plant and equipment		50,264	50,264
Inventories		41,105	41,105
Pledged deposit		98	98
Cash and cash equivalents		20,002	20,002
Prepayments, deposits and other receivables		5,548	5,548
Trade receivables		118,314	118,314
Trade and bills payables		(109,389)	(109,389)
Other payables and accruals		(159,113)	(159,113)
Interest-bearing bank borrowings		(47,234)	(47,234)
Deferred tax liabilities	18	(5,250)	–
		142,482	126,732
Minority interests		(41,320)	
Goodwill on acquisition	17	2,283	
		103,445	
Satisfied by:			
Cash		103,445	

32. BUSINESS COMBINATIONS *(Continued)*

(a) Business combination of Gold Connection Limited in the current year *(Continued)*

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

	HK$'000
Cash consideration	(103,445)
Cash and cash equivalents acquired	20,002
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(83,443)

Since the acquisition, Gold Connection Limited and its subsidiaries had no significant contribution to the Group's turnover and net profit for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit attributable to equity holders of the Company for the year would have been HK$7,527,722,000 and HK$643,739,000.

(b) Business combination of Smart Success Enterprises Limited in the prior year

On 21 September 2007, the Group acquired a further 37.5% equity interest in Smart Success Enterprises Limited to increase the total equity interest to 74%. Smart Success Enterprises Limited, a company incorporated in Samoa, has a wholly-owned PRC subsidiary, Chengyang Precision Mold (Kunshan) Company Limited ("Chengyang") ("晟揚精密模具(昆山)有限公司"), which is principally engaged in the manufacture and sale of moulds with manufacturing facilities located in Kunshan, the PRC. The consideration for the acquisition was in the form of cash of HK$22,815,000, which has been paid.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

32. BUSINESS COMBINATIONS *(Continued)*

(b) Business combination of Smart Success Enterprises Limited in the prior year *(Continued)*

The fair values of the identifiable assets and liabilities of Smart Success Enterprises Limited and its subsidiaries as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	15	30,711	30,711
Lease premium for land	16	1,733	1,733
Prepayments for acquisition of property, plant and equipment		805	805
Inventories		18,628	18,628
Trade receivables		12,483	12,483
Cash and cash equivalents		20,088	20,088
Prepayments, deposits and other receivables		140	140
Trade and bills payables		(8,524)	(8,524)
Other payables and accruals		(3,022)	(3,022)
		73,042	73,042
Minority interests		(18,991)	
Excess over the cost of a business combination recognised in the income statement	6	(4,576)	
		49,475	
Satisfied by:			
Cash		22,815	
Reclassification from an interest in an associate		26,660	
		49,475	

32. BUSINESS COMBINATIONS *(Continued)*

(b) Business combination of Smart Success Enterprises Limited in the prior year *(Continued)*

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

	HK$'000
Cash consideration	(22,815)
Cash and cash equivalents acquired	20,088
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(2,727)

Since the acquisition, Smart Success Enterprises Limited and its subsidiaries contributed HK$35,689,000 to the Group's turnover and contributed a net profit of HK$6,912,000 to the consolidated profit for the year ended 31 December 2007.

Had the combination taken place at the beginning of the prior year, the revenue of the Group and the profit of the Group for the prior year would have been HK$5,288,249,000 and HK$429,144,000.

33. CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

At the balance sheet date, the Company had provided corporate guarantees of approximately HK$1,747,738,000 (2007: HK$487,594,000) to banks in connection with banking facilities granted to its subsidiaries, which were utilised to the extent of approximately HK$1,521,301,000 (2007: HK$378,739,000).

34. OPERATING LEASE COMMITMENTS

The Group leases certain of its offices properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**15,379**	15,387
In the second to fifth years, inclusive	**24,278**	27,587
	39,657	42,974

NOTES TO FINANCIAL STATEMENTS

31 December 2008

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments as at the balance sheet date:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:				
Land and buildings	**110,015**	32,738	**–**	–
Machinery	**20,954**	12,103	**–**	–
Acquisition of an investment *(note 39)*	**296,844**	–	**296,844**	–
Total capital commitments	**427,813**	44,841	**296,844**	–

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	Notes	**2008**	2007
		HK$'000	HK$'000
Purchase of production materials from:			
San Li (1)	(i)	**1,446**	7,405
Sunrise (2)	(i)	**17**	221
Purchase of moulds from:			
Chengyang (3)	(i)	**–**	10,041
Sale of finished goods to:			
San Li	(ii)	**104**	1,363
Sunrise	(ii)	**–**	689
Technological support fees paid to:			
Sunrise	(iii)	**–**	3,201
San Li	(iii)	**–**	6,402
Rental expenses paid to:			
Ms. Lin Mei-Li (4)	(iv)	**61**	58
Mr. Cheng Li-Yu (5)	(iv)	**–**	16

36. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(1) San Li is controlled by Mr. Cheng Li-Yu, a director of the Company.

(2) Sunrise is controlled by Mr. Cheng Li-Yen's family, a director of the Company, and his family members.

(3) Chengyang was a principal subsidiary of the Group's associate, which became a subsidiary of the Company in the prior year as further detailed in note 32(b) to the financial statements.

(4) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company.

(5) Mr. Cheng Li-Yu is a director of the Company.

(i) The purchase prices for production materials and moulds were determined at rates mutually agreed between the relevant parties.

(ii) The selling prices of production materials and finished goods were determined at rates mutually agreed between the relevant parties.

(iii) The technological support fees were determined at rates mutually agreed between the relevant parties.

(iv) The rentals were determined at rates mutually agreed between the relevant parties.

Apart from the purchase of moulds from Chengyang, the above transactions entered into by the Group during the year ended 31 December 2008 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related companies as at the balance sheet date are included in notes 21 and 25 to the financial statements.

(c) Compensation of key management personnel of the Group (excluding directors' remuneration):

	2008	2007
	HK$'000	HK$'000
Short term employee benefits	**7,946**	4,460
Employee share-based compensation expenses	**5,730**	1,760
Total compensation paid to key management personnel	**13,676**	6,220

Further details of directors' emoluments are included in note 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group – 2008

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	33,306	33,306
Trade receivables	–	2,863,214	–	2,863,214
Derivative financial instruments	24,381	–	–	24,381
Factored trade receivables	–	74,205	–	74,205
Financial assets included in prepayments, deposits and other receivables	–	168,566	–	168,566
Pledged bank balances and time deposits	–	108,933	–	108,933
Cash and cash equivalents	–	450,508	–	450,508
	24,381	3,665,426	33,306	3,723,113

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,530,098
Financial liabilities included in other payables and accruals	391,107
Bank advances on factored trade receivables	74,205
Interest-bearing bank borrowings	1,877,388
	3,872,798

NOTES TO FINANCIAL STATEMENTS

31 December 2008

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group – 2007

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	120,607	120,607
Trade receivables	–	1,582,689	–	1,582,689
Factored trade receivables	–	443,525	–	443,525
Financial assets included in prepayments, deposits and other receivables	–	100,168	–	100,168
Derivative financial instruments	28,256	–	–	28,256
Pledged bank balances and time deposits	–	53,221	–	53,221
Cash and cash equivalents	–	406,019	–	406,019
	28,256	2,585,622	120,607	2,734,485

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,398,375
Financial liabilities included in other payables and accruals	174,965
Bank advances on factored trade receivables	443,525
Interest-bearing bank borrowings	757,178
	2,774,043

NOTES TO FINANCIAL STATEMENTS

31 December 2008

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets

	Company	
	2008	2007
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from subsidiaries included in interests in subsidiaries *(note 19)*	**302,735**	309,610
Cash and cash equivalents	**28**	25
	302,763	309,635

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations denominated in United States dollars with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

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

Interest rate risk *(Continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2008			
United States dollar	**50**	**(9,289)**	**–**
United States dollar	**(50)**	**9,289**	**–**
2007			
United States dollar	50	(3,220)	–
United States dollar	(50)	3,220	–

* Excluding retained profits

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables and certain cash and cash equivalents in currencies other than the functional currency of the Group's operating subsidiaries. The Group uses derivative financial instruments to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Renminbi and New Taiwan dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2008			
If United States dollar strengthens against Renminbi	**4.286**	**18,144**	**–**
If United States dollar weakens against Renminbi	**(4.286)**	**(18,144)**	**–**
2007			
If United States dollar strengthens against Renminbi	6.635	11,423	–
If United States dollar weakens against Renminbi	(6.635)	(11,423)	–

* Excluding retained profits

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

Credit risk

The carrying amount of trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 90% (2007: 83%) of the Group's trade receivables at the balance sheet date.

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

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

Group	**2008**			
	On demand or within 1 year HK$'000	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**1,530,098**	**–**	**–**	**1,530,098**
Other payables	**391,107**	**–**	**–**	**391,107**
Bank advances on factored trade receivables	**74,205**	**–**	**–**	**74,205**
Interest-bearing bank borrowings	**1,004,149**	**996,356**	**–**	**2,000,505**
	2,999,559	**996,356**	**–**	**3,995,915**

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Liquidity risk *(Continued)*

Group	2007			
	On demand or within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	1,398,375	–	–	1,398,375
Other payables	174,778	–	–	174,778
Bank advances on factored trade receivables	443,525	–	–	443,525
Interest-bearing bank borrowings	760,467	–	–	760,467
	2,777,145	–	–	2,777,145

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as available-for-sale investment (note 23) as at 31 December 2008. The Group's listed investment is listed on Taiwan Stock Exchange Corporation and is valued at quoted market price at the balance sheet date.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2008	**High/low 2008**	31 December 2007	High/low 2007
Taiwan – TSEC Weighted Index	**4,591**	**9,310/ 3,955**	8,506	9,860/ 7,306

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investment the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Equity price risk *(Continued)*

	Carrying amount of equity investment HK$'000	Increase/ (decrease) in equity price %	Increase/ (decrease) in equity* HK$'000
2008			
Investment listed in:			
Taiwan – Available-for-sale	**33,306**	**75.31**	**18,813**
	33,306	**(75.31)**	**(18,813)**
2007			
Investment listed in:			
Taiwan – Available-for-sale	120,607	57.31	51,839
	120,607	(57.31)	(51,839)

* Excluding retained profits

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is calculated as the total bank borrowings over the total assets. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Total bank borrowings	**1,877,388**	757,178
Total non-current assets	**2,585,102**	1,816,292
Total current assets	**4,559,354**	3,408,007
Total assets	**7,144,456**	5,224,299
Gearing ratio	**26%**	14%

39. POST BALANCE SHEET EVENT

On 28 October 2008, the Company entered into (i) an acquisition agreement with Compal Electronics, Inc. ("Compal") for the acquisition of 3,400,000 shares in Wah Yuen Technology Holding Limited ("Wah Yuen") at a cash consideration of HK$52,703,000 (US$6,800,000) and (ii) a subscription agreement for the subscription with Wah Yuen of 54,971,903 new shares in Wah Yuen at a cash consideration of HK$348,773,000 (US$45,000,000). The aggregate of 58,371,903 shares in Wah Yuen to be subscribed for and acquired by the Group shall represent approximately 53.4% of the enlarged issued share capital of Wah Yuen. Wah Yuen is a private company incorporated in the Republic of Mauritius with limited liability. Wah Yuen and its subsidiaries are principally engaged in the design, development, manufacture and sale of magnesium alloy casing for notebook computers with manufacturing facilities located in Jurong City of Jiangsu Province, the PRC.

As at 31 December 2008, the Group has paid HK$104,632,000 (US$13,500,000) to Wah Yuen as deposit under the subscription agreement. The aforesaid subscription and acquisition of shares were completed on 16 March 2009. The Group paid the remaining balance of the consideration for the subscription and the acquisition amounting to HK$296,844,000 (US$38,300,000) in March 2009. Because the acquisition of Wah Yuen was effected shortly before the approval of these financial statements, it is not practicable to disclose further details about the acquisition in respect of the fair values of the identifiable assets and liabilities of Wah Yuen group as at the date of acquisition, the corresponding carrying amounts immediately before the acquisition, and the amount of any excess over the cost of a business combination or recognition of goodwill.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2009.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 25 October 2005, is set out below:

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**7,249,183**	5,275,832	3,558,282	2,671,798	1,561,093
PROFIT BEFORE TAX	**818,850**	484,199	231,823	209,087	262,767
Tax	**(130,280)**	(57,338)	(30,676)	(16,992)	(21,394)
PROFIT FOR THE YEAR	**688,570**	426,861	201,147	192,095	241,373
Attributable to:					
Equity holders of the Company	**658,295**	409,988	202,942	192,095	241,373
Minority interests	**30,275**	16,873	(1,795)	–	–
	688,570	426,861	201,147	192,095	241,373

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**7,144,456**	5,224,299	4,075,031	3,604,165	2,339,289
TOTAL LIABILITIES	**(4,163,041)**	(3,039,919)	(2,490,336)	(2,364,691)	(1,636,658)
MINORITY INTERESTS	**(161,135)**	(73,237)	(33,690)	–	–
	2,820,280	2,111,143	1,551,005	1,239,474	702,631